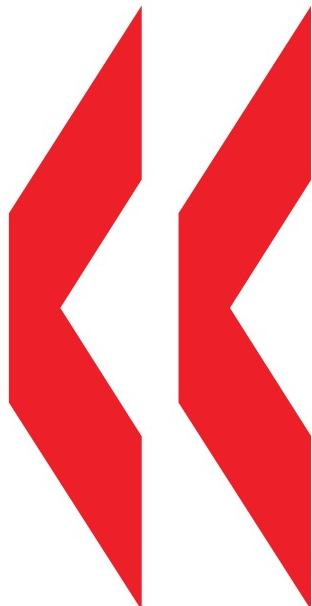


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# Combating Poverty and Social Exclusion in France

Stéphanie Jamet<sup>\*</sup>

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## COMBATING POVERTY AND SOCIAL EXCLUSION IN FRANCE

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By  
Stéphanie Jamet

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## ABSTRACT

### **Combating poverty and social exclusion in France**

Reducing poverty and social exclusion is an important objective for all French governments. Even though conventionally measured poverty is in fact lower than in most other countries, it is still higher than can be easily accepted. The current policy approach involves a large number of measures tailored to different circumstances. Some policies have unwanted side effects on labour market performance, and their cost-effectiveness could be improved to obtain better outcomes with the same resources. Concentrations of poverty and social exclusion in certain geographic areas and among certain groups of the population provide one of the most difficult challenges, for which contributions from education, labour market, housing, urban planning and anti-discrimination policies, as well as from the social services, are necessary.

This Working Paper relates to the 2007 OECD *Economic Survey of France* ([www.oecd.org/eco/survey/france](http://www.oecd.org/eco/survey/france)), and is also available in French under the title “Lutter contre la pauvreté et l’exclusion sociale en France”.

*JEL classification:* H50; I32; I38; J30; R31

*Keywords:* France, poverty, social exclusion, labour market, social expenditure, unemployment

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## COMBATING POVERTY AND SOCIAL EXCLUSION IN FRANCE

by Stéphanie Jamet<sup>1</sup>

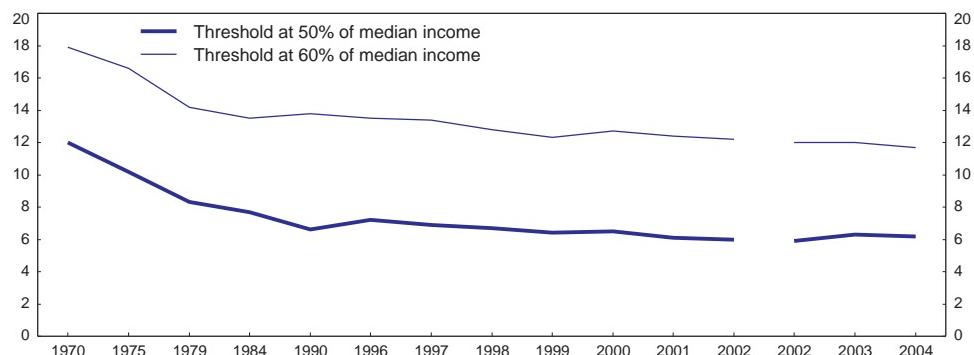
Economic growth improves social welfare but may leave out a body of people who are faced with situations of poverty and, in some cases, social exclusion. In addition to having dire consequences for those concerned, poverty and exclusion generate negative externalities through increased criminality<sup>2</sup> and insecurity, which undermine the wellbeing of the population as a whole. But although the direct costs of the instruments for combating poverty and exclusion are mainly borne by public finances through income transfers, these costs are in turn borne by the economy as a whole. For both these reasons, it is essential to find solutions that remedy social exclusion at its roots, and not simply palliate its effects. To this end, it is necessary: *i*) to prevent poverty and social exclusion from developing by ensuring the proper functioning of the labour market, by ensuring that the education system efficiently prepares young people for jobs, that housing policy limits the creation of deprived “ghettos”, and by other reforms that promote a dynamic job-creating economy; and, *ii*) to put in place policies which will genuinely help people threatened by poverty or in danger of social exclusion to escape from such predicaments on a long-term basis.

### **Scale of and trends in poverty and social exclusion**

Income inequality (covering earned and unearned income) declined sharply in France during the 20<sup>th</sup> century (Piketty, 2003). The watershed occurred between the world wars and during World War II and was mainly attributable to the fall in the wealthiest families’ capital income, with wage inequality remaining for its part relatively stable. More recently, there was a decline in income inequality during the 1970s and 1980s, before it stabilised in the mid-1990s. The decline in inequality was accompanied by a fall in the risk-of-poverty rate, defined as the percentage of the population living in a household whose income falls short of the poverty threshold.<sup>3</sup> This is often put at 60% of the median income in international comparisons and amounted to € 788 per month in 2004 for a single person. Since 2002, the risk-of-poverty rate has fallen slightly when defined in this way, whereas if it is put at 50% of the median income, it has risen slightly (Figure 1). France’s position is somewhat better than the average of other OECD countries in terms of inequality (see Figure 2, and also Figure 6).

- 
1. This paper was originally produced for the OECD *Economic Survey of France*, published in June 2007 under the responsibility of the Economic and Development Review Committee. Stéphanie Jamet is an economist in the OECD Economics Department. The author is thankful to Paul O’Brien, Peter Jarrett and Marco Mira D’Ercole for their helpful comments on previous drafts. The author also thanks Andrew Dean and Val Koromzay for useful comments as well as Françoise Correia and Mee-Lan Frank for excellent technical assistance. This paper has also benefited from valuable discussions with French economists and researchers.
  2. The youth unemployment rate has been shown to be positively correlated with the rate of criminality (Fougère *et al.*, 2004).
  3. Income from savings is excluded.

**Figure 1. Evolution of the monetary risk-of-poverty rate<sup>1</sup>**

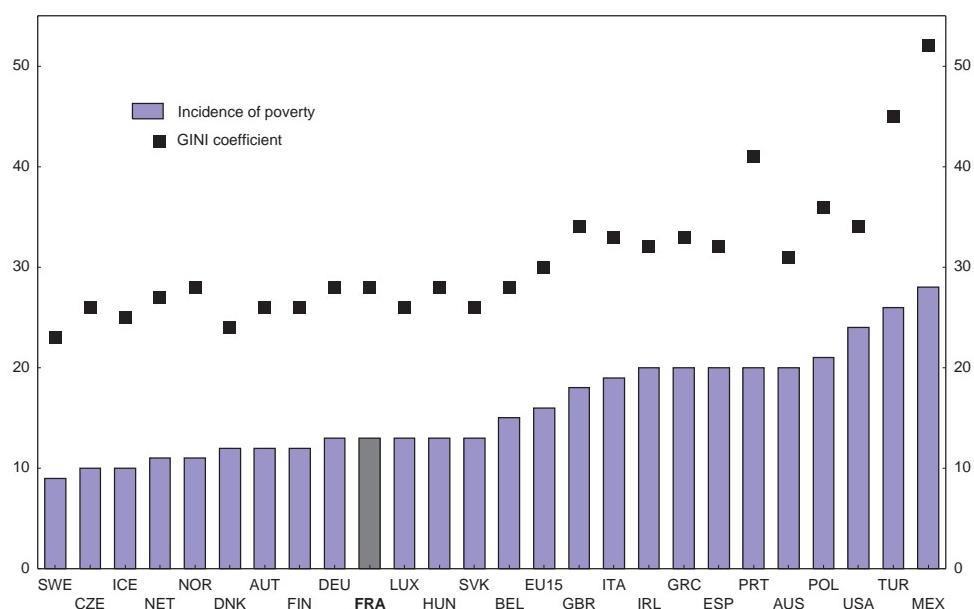


- From 1996 to 2002, the Taxable Income Surveys (*Enquêtes Revenus Fiscaux*, ERF) were based on data from the 1990 and 1999 censuses. A new series of income statistics using annual population censuses starts in 2002 (which uses reverse extrapolated data from the 2003 survey). The new series also take into account income subject to *prélèvements libératoires*.

Source: Enquêtes Revenus Fiscaux, 1970, 1975, 1979, 1984, 1990, 1999 and 1996 to 2003, INSEE-DGI.

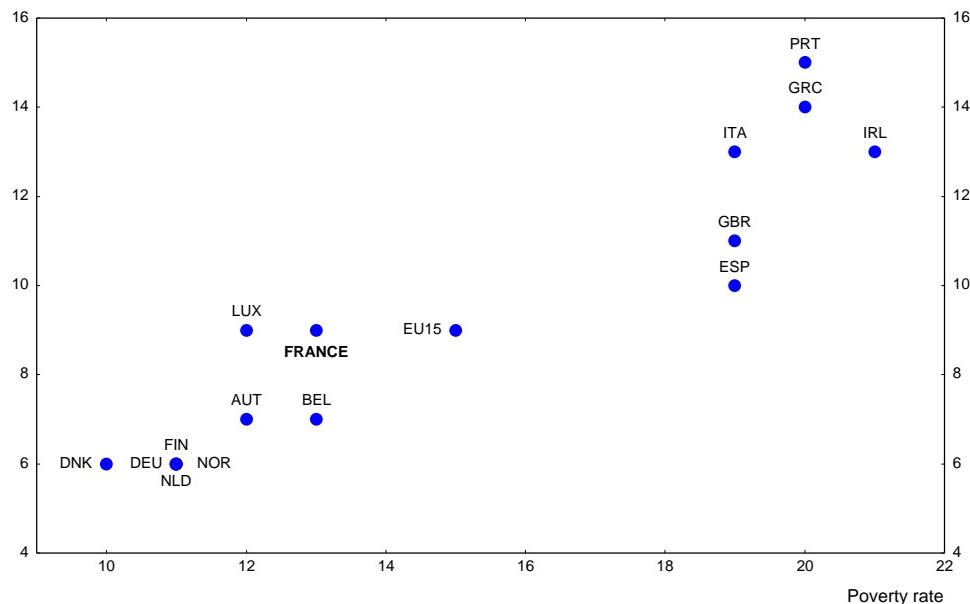
**Figure 2. Risk-of-poverty rate<sup>1</sup> and inequality**

2005 or latest available year<sup>2</sup>



- Percentage of people whose equivalent disposable income, including social transfers, is less than the poverty threshold, i.e. 60% of the median equivalent disposable income.
- 2003: United Kingdom and Turkey; 2000: Australia, United States and Mexico.

Source: Eurostat database; Forster, M. and M. Mira d'Ercole (2005), Income Distribution and Poverty in OECD Countries in the second half of the 1990s, OECD Social Employment and Migration Working Papers, n° 22.

**Figure 3. Risk of monetary poverty and its persistence in OECD countries**2001 or latest year available<sup>1</sup>Risk of persistent poverty<sup>2</sup>

1. 2000 for France and the United Kingdom.
2. Share of persons with an equivalent disposable income below the at-risk-of-poverty threshold in the current year and in at least two of the preceding three years. The threshold is set at 60% of national median equivalent disposable income (after social transfers).

Source: Eurostat database.

Poverty is all the more of a handicap to the extent that it persists over time and leads to worsening living conditions as savings are used up. Looking at the proportion of people who are at risk of poverty both in the current year and during two out of the preceding three years in European countries, France figures in the group of countries where monetary poverty is relatively low and tends to be temporary even though the persistence of poverty is a little higher in France than in the best performing countries (Figure 3).

#### ***Poverty and social exclusion are perceived to be widespread***

The trends that derive from the statistics may seem in contradiction with the collective consciousness and the feeling of unease that currently exist in French society, as revealed for example by the violence in the suburbs of Paris in late 2005. That contradiction may be explained by the difficulty of measuring poverty because of its multidimensional nature: poverty encompasses all the material problems that people are faced with, which can result in restricted consumption, housing troubles, reduced access to health care and also, more broadly, a poor level of skills. So monetary poverty indicators give a simplistic picture of poverty; that said, they do have the advantage of being broadly comparable across countries.

Other measures of poverty exist, such as Eurobarometer, which tests public opinion on a variety of matters. According to this survey, the percentage of people feeling that there is a risk of falling into poverty in 2006 was higher in France than in the average European country and the view that anyone is at risk of poverty at some time in their lives was more widespread in France than anywhere else (European Commission, 2007). This discrepancy between the scale of measured and perceived poverty can be explained by the characteristics of poverty. It is the result of a sharp worsening of the labour market and

has developed in a context in which social and especially family ties have weakened. The social protection system, which was designed to insure individuals against risks, is not up to looking after people facing lasting poverty. Compared to the sort of poverty affecting a fringe of the population whose profiles are well known (as in the countries of northern Europe), this type of poverty is both more difficult to "treat" using economic policy measures and more costly for the persons concerned, while it also has a larger negative impact on the well-being of the rest of the population (Paugam, 2005).

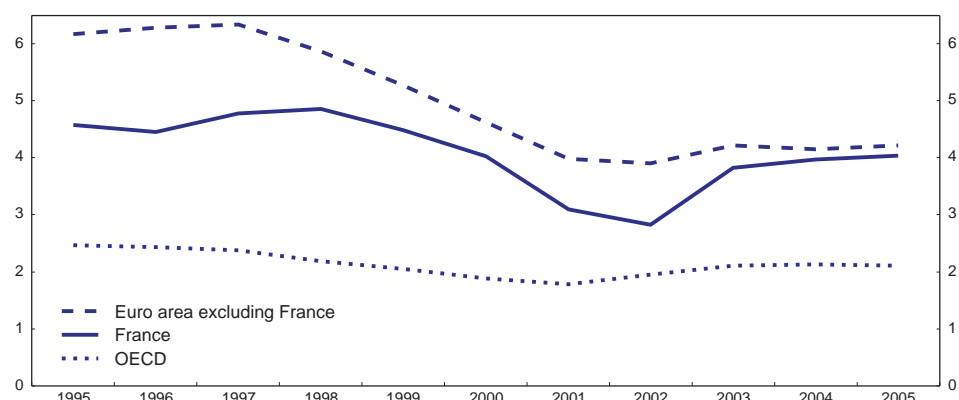
Poverty, which is accompanied by a loosening of social ties, can result in situations of social exclusion. Unlike poverty, there is no "official" definition of social exclusion and no consensus as to any indicators that might measure the scale of the phenomenon. Exclusion is more a process than a state. Often, it is the result of a sequence of unfavourable events. The first of these is sometimes the loss of a job, which can be accompanied by increased difficulty in finding somewhere to live and a breakdown of social ties (family and friends). The situation is made even worse when those involved are in ill health or run into problems related to alcoholism and drugs.

Inevitably, therefore, apart from the subjective indicators cited above, the scale of social exclusion is measured in a roundabout manner by looking at the characteristics of the individuals for whom the breakdown of certain social ties seems to result in exclusion-like phenomena. Being long-term unemployed makes people vulnerable to exclusion, and the rate of long-term unemployment (spells exceeding a year in duration) increased in 2003 before stabilising at a high level – around 4% of the labour force (Figure 4), despite a number of active labour market policies focused on such jobless people. Those of very limited means are entitled to a "replacement" income called a "social minimum" (see Annex A1). There are a number of these social minima, the most widespread of which is the *revenu minimum d'insertion* or RMI, which is below the poverty threshold. After these minima were introduced, the share of the population receiving them increased sharply up until 1999 and then fell slightly before picking up again briskly in 2004, with over 7% of those aged over 25 being concerned (Figure 5). In 2003, 45% of beneficiaries of the RMI had been receiving it for more than three years.

Statistically, it is much more difficult to keep track of people who are particularly excluded and living on the fringes of society. The homeless are not at all well covered by the statistical services. Nevertheless, a 2001 INSEE survey on the homeless put the number of people using the services providing shelter and hot meals at 63 500 adults accompanied by 16 000 children (Brousse and de la Rochère, 2002).

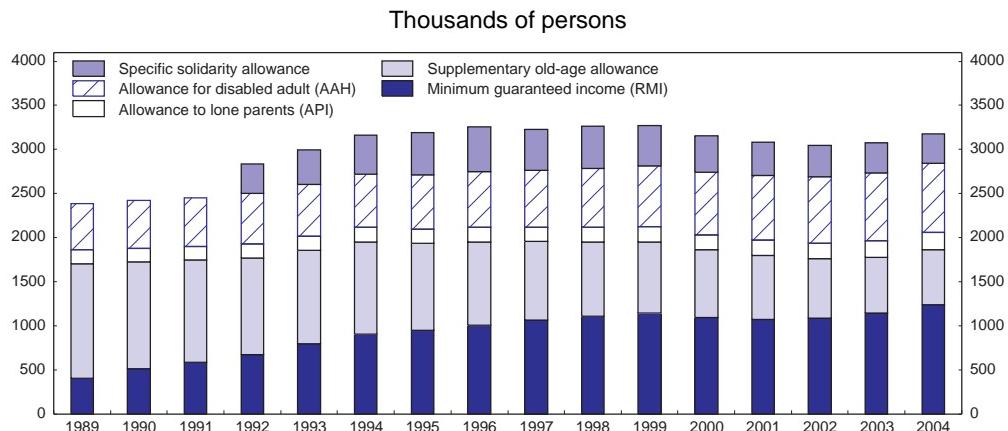
**Figure 4. Trend in long-term unemployment<sup>1</sup>**

As per cent of the workforce



1. One year or longer.

Source: OECD, ELS database.

**Figure 5. Trend in the number of recipients of the main social minima**

Source: Caisse nationale d'allocations familiales; Union nationale interprofessionnelle pour l'emploi dans l'industrie et le commerce and Direction de la Recherche, des Études, de l'Évaluation et des Statistiques of the Ministère de l'Emploi, de la Cohésion Sociale et du Logement.

### ***Inequalities are transmitted across generations***

Inequalities affect individuals and the economy as a whole in ways that are all the more damaging when they pass from one generation to the next and thus result in unequal opportunities. Intergenerational income mobility is not easy to measure. The studies available do not point to any decline in mobility since the late 1970s (Dupays, 2006; Vallet, 2004; Lefranc and Trannoy, 2003). According to this last study, the degree of intergenerational mobility – measured by the elasticity of (permanent) income of children with respect to that of their fathers in France is intermediate – more marked than in the United States and Great Britain, but less so than in the countries of northern Europe.

Nevertheless, academic failure affects the children of low-income families in particular. Disparities in academic success appear as soon as children start primary school (CERC, 2004). At age 17, 18% of children in the lowest decile of income distribution have stopped school, compared with 1% on average for the three most favoured deciles. The impact of social background on children's futures does not depend solely on such effects as the transmission of social capital or parents' aspirations. Poor children are more likely than others to find themselves in overcrowded accommodation or to develop health-related risks such as obesity. These concrete consequences of poverty have a very negative impact on academic success.

Inequalities of opportunity in the education system are not the only source of transmission of inequalities. For a given level of diploma, a strong impact of social background on jobs and future incomes restricts the returns of education for people coming from disadvantaged backgrounds. This phenomenon is magnified by students' expectations of the returns of education (Goux and Maurin, 2001). While inequality of social opportunity as regards education seems in fact to have diminished, the role of the diploma in affording access to social positions has also declined (Vallet, 2004).

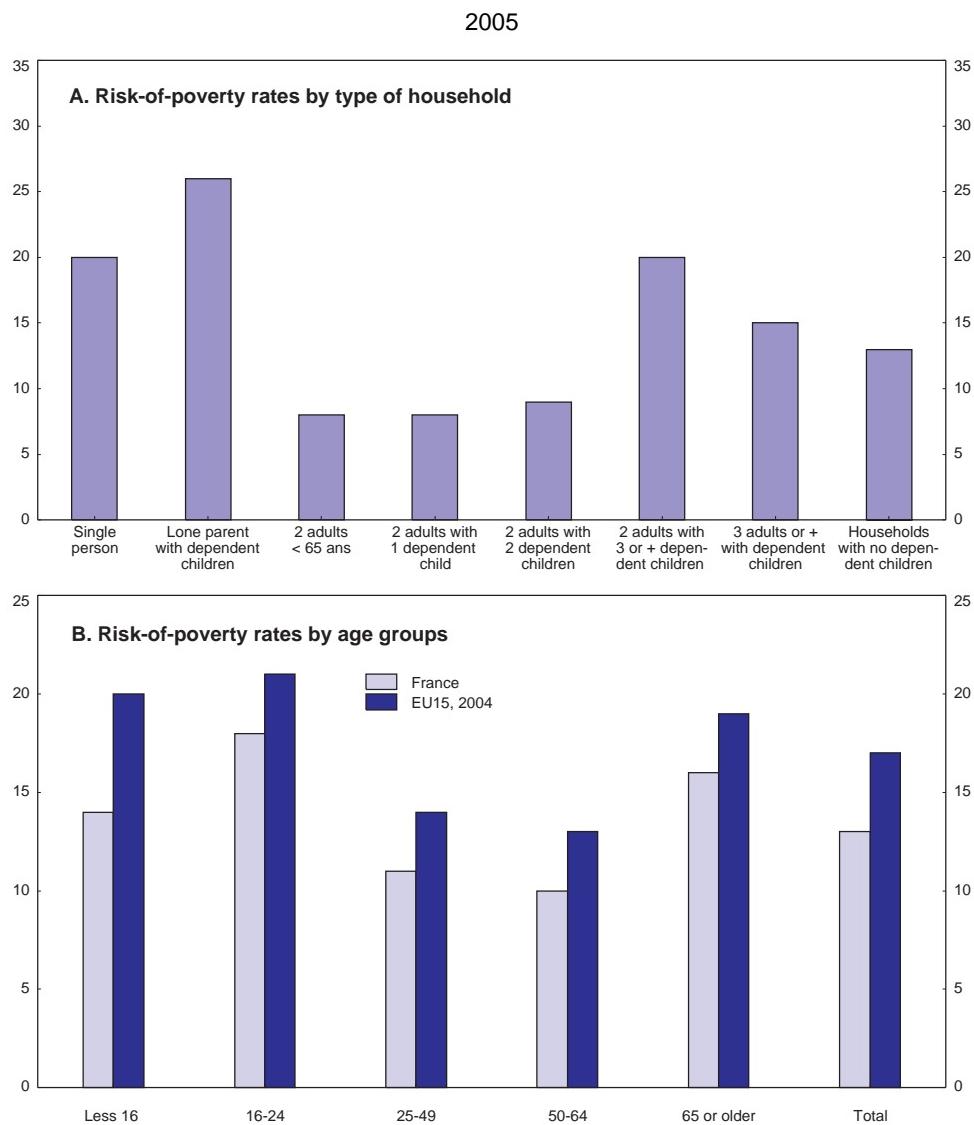
### ***Certain groups are especially hard hit by poverty and social exclusion***

Together with family structure, a lack of employment accounts for a large proportion of all situations of poverty (see below), this being all the more true in that there is structural polarisation of employment among households (ONPES, 2006). Indeed, between 1975 and 2002, the proportion of households in which every person capable of working had a job rose from 57 to 68%, while the share in

which nobody was working doubled, increasing from 6.3 to 12.2%. Single-parent families with a dependent child are the hardest hit (Figure 6). Also seriously affected are single people and couples with at least three children.

Young people are particularly hard hit by poverty, the likely reason for this being the low level of hours they work and the fact that there is no minimum replacement income for young people under the age of 25. With the introduction of a minimum benefit for pensioners and rising pension values, poverty has been sharply reduced among pensioners: using the 50% of median income threshold, the poverty rate for pensioners was over 20% in 1970 and under 5% in 2002 (ONPES, 2006).

**Figure 6. Risk of monetary poverty rate by selected criteria<sup>1</sup>**



- Share of persons living in a household having an equivalent disposable income, after social transfers, below the poverty threshold, which is set at 60% of national median equivalent disposable income.

Source: Eurostat database.

**Table 1. Risk of monetary poverty among immigrants**

The percentage of people in immigrant households who are poor, using the threshold of 50% of the median income<sup>1</sup>

	Risk-of-poverty rate
<b>Immigrant households</b>	<b>18.0</b>
<i>Of which: Europe</i>	8.3
<i>Maghreb</i>	27.3
<i>Other countries</i>	18.0
<b>Non-immigrant households</b>	<b>5.1</b>
<b>All households</b>	<b>6.2</b>

*Note:* The table shows that 8.3% of people living in an immigrant household of European origin are poor.

1. An immigrant household is defined as one in which both the reference person and their partner, if any, are immigrants.

*Source:* INSEE-DGI, Taxable Income Surveys (Enquête revenus fiscaux) 2001.

Children are more affected by poverty than the population as a whole, even if their poverty rate in France is significantly lower than in most OECD countries. Even so, 7.4% of children under 16 were living in a family with income below the threshold of 60% of median income in 2001 (UNICEF, 2005). There are two reasons why child poverty is particularly troublesome. First, children cannot interact with the economic environment to escape from poverty, which strengthens the argument for public action to reduce child poverty. Second, since intergenerational mobility is less than perfect, people who are born poor are more likely to remain poor when they reach adulthood.

The poverty rate is high among immigrants, and especially immigrants from the Maghreb countries (Table 1). Their very characteristics make immigrants (and their descendants) particularly exposed to the risks of poverty and social exclusion (see below).

### **Employment, the main source of social inclusion**

Access to employment is the decisive factor for social inclusion. Income from work represents on average almost 70% of household income. But employment provides more than just an income; it integrates people in a social framework. As such, it has to be preferable to a situation of non-employment with the same level of resources but without integrating in society. What is more, having a job helps people to find accommodation and sometimes gives entitlement to other rights such as access to complementary health and pension schemes. However, poverty and unemployment do not overlap completely. Poverty being defined in terms of the household, a person can be jobless but not faced with poverty as long as the household has sufficient income. Conversely, having a job does not necessarily rule out poverty, either because the person's earnings are insufficient to place him/her above the poverty threshold, or because the family situation and the employment status of the other members of the household do not provide the household with aggregate income above this threshold.

### **Employment and poverty**

The weakness of employment is the main cause of poverty: among poor people, 67% did not have a job in 2004 (Table 2). Nevertheless, employment is not an absolute bulwark against poverty: 33% of people living in poor households (41% for people under 65) had a job, which amounted to 5% of the population. France is in an average position in terms of the prevalence of the working poor compared with other OECD countries and with the average of the EU15.

**Table 2. Poor people according to their labour-market status**

60% of median income threshold, 2004

	Thousands	Percentage of poor people 18 years old and over
<b>Active</b>	<b>2 445</b>	50
Employed	1 594	33
Unemployed	851	17
<b>Inactive, 18 years old and over</b>	<b>2 421</b>	50
Student, 18 years old and over	322	7
Inactive from age 18 to 64	1 123	23
Retired or inactive, 65 and over	977	20
<b>Total, 18 and over</b>	<b>4 866</b>	100
<b>Children less than 18</b>	<b>2 001</b>	-
<b>Total</b>	<b>6 867</b>	-

Source: Enquêtes revenus fiscaux, Insee-DGI.

**Table 3. Composition of poor active people according to their main employment status in the year**

2004, per cent

	Poor active people	Non poor active people
Total	100	100
Mainly unemployed, receiving unemployment insurance	21	3
Mainly unemployed, not receiving unemployment insurance	19	5
Part-time employed, involuntary	5	3
Part-time employed, voluntary	11	10
Full-time employed between 6 and 12 months	9	7
Full-time employed throughout the year	35	72

Source: ONPES (2006).

Among employed people living in poverty, two groups can be distinguished: full-time all-year-round workers, who represent the majority, and workers with a low duration of employment, either part-time workers, or people having worked full-time but for less than six months (Table 3). More than the hourly wage, it is a low number of hours worked annually that is a crucial source of poverty and inequality. Indeed, while the hourly wage of workers with annual incomes situated in the bottom decile of the distribution is 36% of that of those in the top decile, the annual earnings of workers of the bottom decile are only 8% of the top decile (CERC, 2006, p. 118). Poverty thus comes essentially from low employment, either in terms of the number of persons working in the household or in terms of low annual working time, or both.

Job insecurity, involving alternating periods of employment and non-employment, exposes people to poverty. In such cases, they experience income fluctuations when they are no longer earning and, if they have not contributed long enough, they are not entitled to unemployment insurance. The fact is that more than a quarter of job seekers receive no compensation or social benefits. In the majority of cases, those involved are young people under the age of 25 who have not paid sufficient unemployment insurance contributions and are not entitled to the RMI. Delays in the receipt of social benefits accentuate these problems. This insecurity, proxied by the probability of shifting from employment to non-employment, is greater in France than in many other European countries (CERC, 2005). Job insecurity is not to be

confused with job instability, which describes a break in the link between an employee and a firm, but which may be followed by very rapid re-employment in another job. While instability is no doubt harder to endure than a stable relationship with the same employer, it does not necessarily entail an increased risk of poverty. What is more, it enables the labour market to adjust to fluctuations in the economic environment.

In combating poverty, policies should seek to raise the employment rate and the number of annual hours worked, rather than attempt to strengthen the ties between an employee and a particular firm. Several reforms were proposed in the previous *Economic Survey of France* (OECD, 2005b), some of which are repeated and developed further in the following sections.

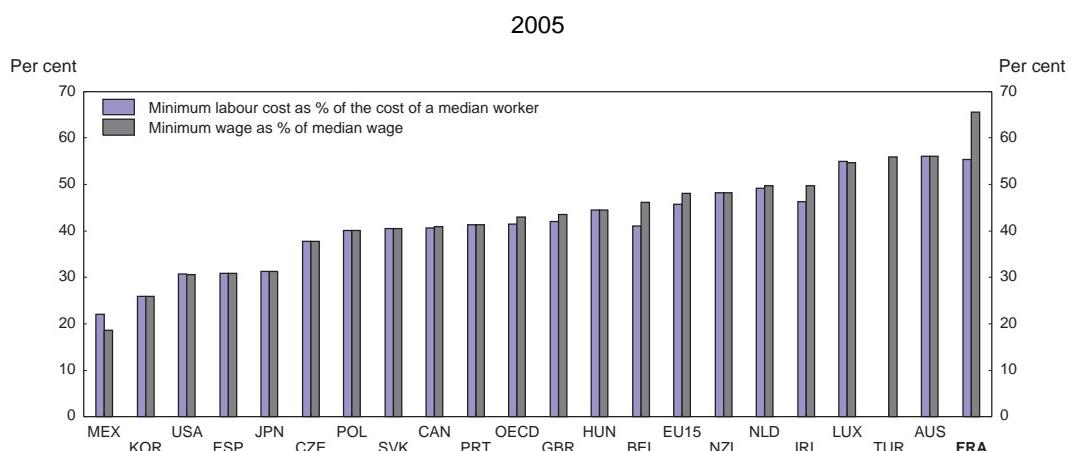
### ***Co-ordinating policies regarding the minimum wage, reduced social charges and in-work benefits***

It is usually acknowledged that a reasonable minimum wage can help to combat poverty by guaranteeing workers a minimum income and encouraging labour market participation (OECD, 2006a). The minimum legal wage, the SMIC, is equal to over 65% of the median wage (Figure 7), the highest among the OECD countries. Nevertheless a single-worker household working full time at the minimum wage all year round, with one or two dependent children, had an income level in 2005 below the poverty line at the 60% threshold (though not at 50%), even with the various social transfers available. Such a household would require 1.3 times the SMIC, whatever the number of children, to reach the 60% threshold (CERC, 2007). The increase in the in-work benefit due in 2007 should, however, reduce this threshold.

On the other hand, the high level of the minimum wage excludes some low-productivity workers from the labour market altogether. What is more, the minimum wage and its increases benefit workers who are low-paid but not necessarily concerned by poverty, since this depends on the household composition and the employment situation of other household members. For these reasons, the minimum wage is not the most effective tool to fight in-work poverty objective.

The impact of the SMIC on the cost of labour is in part attenuated by numerous reductions in social insurance contributions, but the cost of labour in relation to the level of the SMIC remains among the highest of all the OECD countries. This being the case, the negative impact of the SMIC on labour demand is liable to be greater than the positive impact on labour supply, and numerous studies have

**Figure 7. Minimum cost of labour in OECD countries<sup>1</sup>**



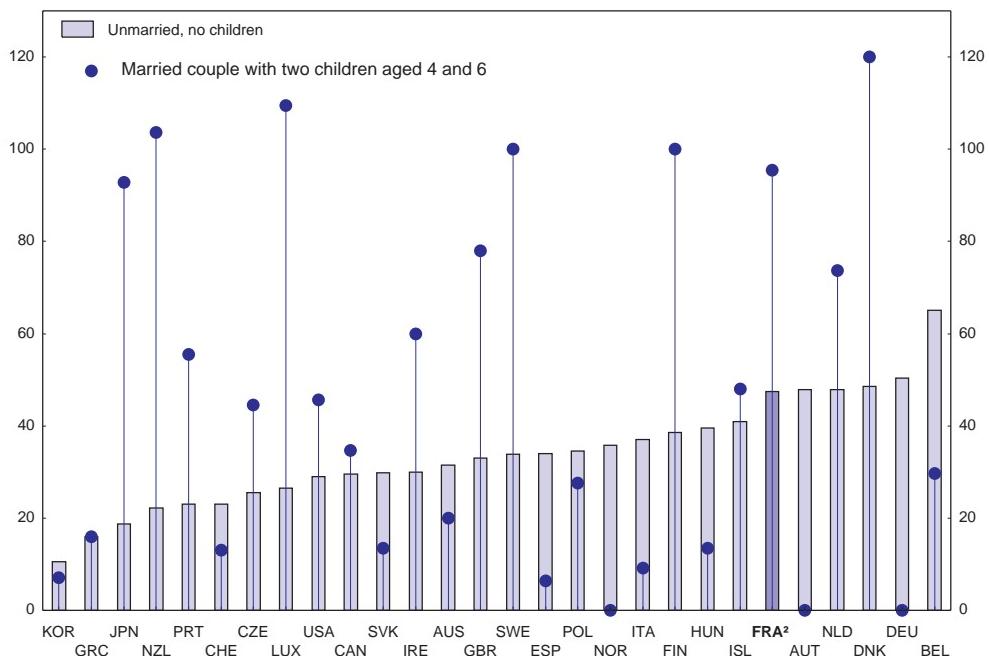
1. The labour cost is the wage plus the corresponding social security contributions paid by the employer.

Source: OECD (2007) Economic Policy Reforms: Going for Growth.

pointed to the negative impact of the cost of labour on the employment of unskilled workers in France.<sup>4</sup> Indeed, the very marked positive impact on employment of policies implemented between 1993 and the late 90s to reduce social insurance contribution for workers at the level of the SMIC well illustrates that demand for lower-skilled workers is quite sensitive to their costs. The previous Survey recommended freezing the real SMIC over the next few years. In 2006, the return to the traditional method for revaluing the SMIC slowed its growth (it rose 3% in 2006 following annual average growth of 5% from 2003-05) but it rose more than prices (which rose by 1.9% over the reference period). If it is to facilitate low-productivity workers' access to the labour market and so help them to get out of poverty traps, the government has to keep future increases in the SMIC under control and allow the cost of labour at the level of the SMIC to fall by comparison with the cost at the level of the median wage.

Similarly, benefits linked to employment must be used not only to combat in-work poverty but also to encourage those without jobs to return to work. Successive governments have appreciably reduced inactivity traps, for example by introducing and then amending the earned income tax credit (*prime pour l'emploi*, PPE) for employees in low-paid jobs (Box 1), and by increasing the possibility of receiving – for a limited period of time – both income from work and a social benefit (Annex A1). As a result, marginal rates of tax for people entering employment from a low income situation decreased. The possibility of receiving both income from work and an allowance means that rates of taxation are well below 100% during the period when both incomes are being received (Figure 8). Once this period is over, however, tax rates remain close to 100% in the case of a very part-time job paying the SMIC (Figure 9).

Figure 8. Marginal effective tax rates in OECD countries<sup>1</sup>  
2004



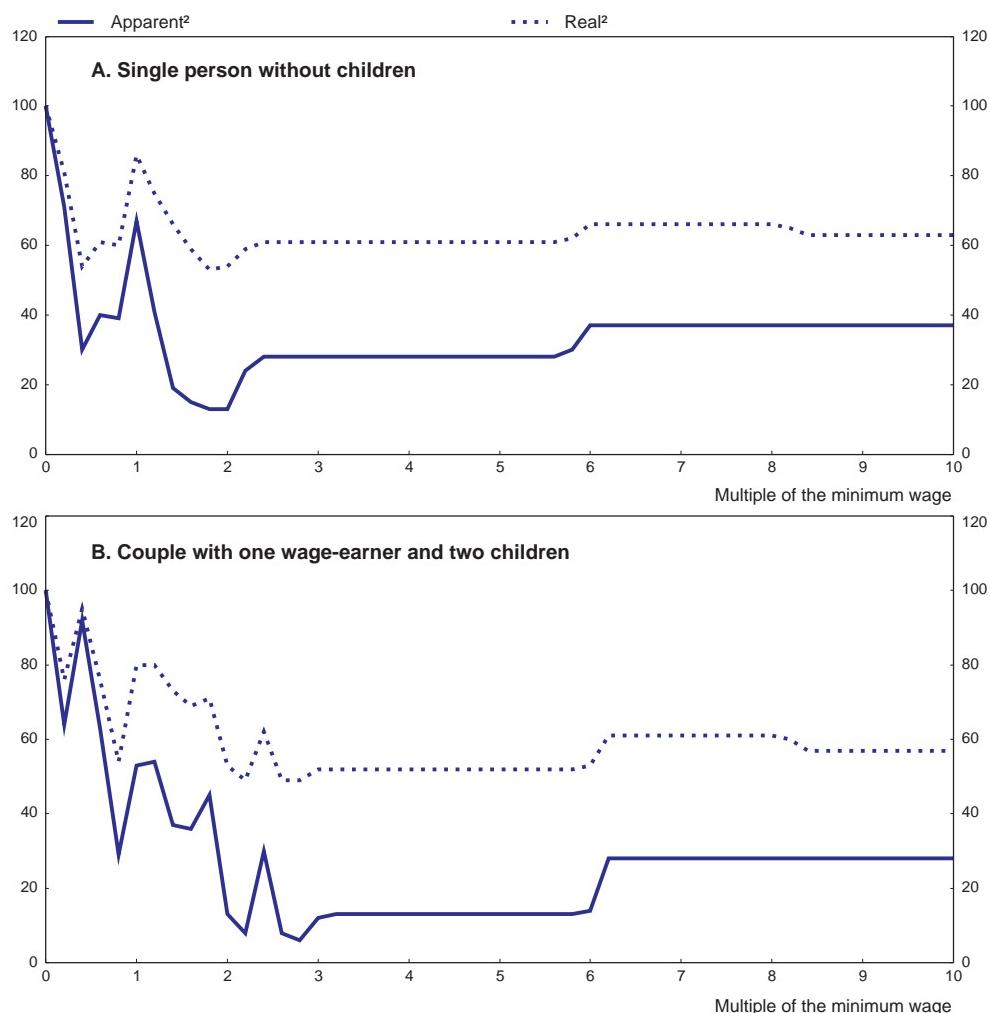
- For a person moving to work, not entitled to unemployment benefits before the transition, earning 67% of average production worker's wage. In the case of the couple, the working member earns 67% of average production worker's wage.
- The possibility of cumulating earned income with income support for a limited period is taken into account.

Source: OECD, Benefits and wages database.

- The results of these studies tend to be similar, although the sensitivity of employment to costs varies, and are summarised in Jamet 2006).

Figure 9. Effective marginal tax rate in France<sup>1</sup>

Per cent, 2007



1. The possibility of cumulating earned income with income support for a limited period is not taken into account.
2. The "apparent" EMTR is calculated from marginal tax and contributions paid by the employee and the loss of some social benefits. The "real" rate is equal to the apparent rate plus the marginal impact on the employer's contributions.

Source: Ministry of Finance.

In 2006 the government introduced two additional credits supplementing in-work incentives for the long-term unemployed and the recipients of certain social minima (the RMI, API and ASS) who find employment at more than 52% of legally defined full-time work. These credits significantly increase the income of a person resuming work in the year the job is taken up. Given the probable threshold effects that these induce, it would be important to evaluate this reform.

**Box 1. Measures put in place by the government to increase the financial gains from employment**

**Financial incentives to be in work**

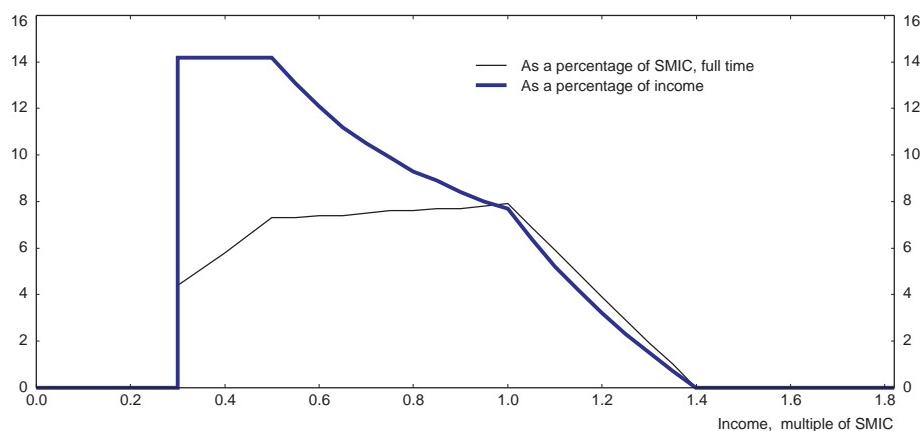
The government has introduced a number of measures designed to make work pay:

- Since 2001 there has been an earned income tax credit (PPE), for employed persons whose work incomes fall within a certain range. The system has been updated on several occasions, especially in 2006. The PPE is paid to people with work incomes above 30% of the monthly SMIC and up to a threshold which depends on the family situation but can reach 2.1 times the SMIC for a single person or for a one-earner family with two dependent children. It is calculated on the basis of the previous year's income and, for persons who received it the previous year, it has been paid on a monthly basis since 2006. The credit is at its highest for jobs paying the SMIC (Figure 10).
- Since March 2006, incentives to take work for the recipients of certain welfare benefits (ASS, RMI, API, see Annex A1) have been modified:
  - For those taking a job with fewer than 78 hours work per month, the previous system of cumulating the welfare benefit with earnings is maintained. Beneficiaries can fully cumulate both sources of income for the quarter in which the job starts and the subsequent three months, and half the welfare benefit is withdrawn for the following nine months.
  - For those work at least 78 hours per month the system is the same for the first three months. After this they can receive two further credits: a payment of € 1 000 in the fourth month (the back-to-work benefit) and another of € 150 per month for single people (€ 225 for others) for nine months.

All told, the single person in receipt of one of the welfare benefits who takes a job paying 60% of the SMIC will receive € 4 644<sup>1</sup> during the year following his return to work, i.e. 63% of the wage. A person in the same situation but who takes a job paying 50% of the SMIC will receives € 3 779, i.e. 62% of the wage<sup>2</sup>.

**Figure 10. PPE and work income**

Per year, in euros, for a single person with no children, 2007



Source: Ministry of Finance.

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1. The benefit levels payable in 2007 based on 2006 income comprise € 1 408 due to the temporary cumulation of benefit and earned income, € 886 in PPE, € 1 000 for the back-to-work benefit and a flat-rate benefit of 9 times € 150.
  2. 2 907 from the cumulation and 872 from the earned income tax credit.

A number of benefits (or related entitlements) for people with low income are linked to their status – *i.e.* whether they receive unemployment insurance benefit or one of the social minima (welfare). Changing status means that they forfeit access to the said benefits, which can also give rise to inactivity traps. This used to be the case for exemption from local property tax and housing grants, but the government has reformed these programmes so as to reduce the risk of an inactivity trap. Supplementary universal sickness cover (CMUC), which is extended automatically to recipients of the RMI, may still be responsible for inactivity traps (Hirsch, 2005). Assistance in acquiring supplementary health insurance has only partially offset this threshold effect. Moreover, the related entitlements that go with income from inactivity are substantial at local level (for example, reduction in or exemption from canteen and transport costs.). It is very difficult to gauge with any accuracy the impact of these local entitlements on marginal rates of tax, but the study by Anne and L'Horty (2002) on selected local authorities does show that the impact is potentially considerable. The mechanisms for allocating entitlements on the basis of status should be restricted. The CMUC and assistance in acquiring complementary health insurance should be reviewed with the object of limiting the existing threshold effects. The government needs to persuade local authorities to reconsider their status-based allocation of related entitlements and move towards a means-based approach.

Another major obstacle to returning to work stems from the complexity of the system of welfare benefits and the frequent changes they undergo. As a result, it is very difficult for an individual to know what the financial advantages of returning to work are. If the different measures are to be made more effective, they need to be simplified and stabilised over time, so that there is less uncertainty as to the financial gains to be derived from a return to work.

In order to combat poverty more efficiently, the PPE, increases in the SMIC and cuts in social security contributions should be used in a more consistent manner. In particular, there is a better solution than increases in the SMIC combined with further reductions in social contributions. The SMIC should rise less fast than the median wage, which would lower the relative cost of low skilled labour and automatically reduce the share of reductions in social contributions, proportional to the SMIC, in GDP. Some of the available resources could be used to increase the in-work tax credit (the PPE) and this could be better targeted on those exposed to poverty. It is true that higher means-tested benefits tend to increase marginal effective tax rates (METRs) as perceived by employees since any additional income will result in a decrease in the benefit received. This creates a disincentive to increase hours worked. For example, in the case of a two-earner couple not receiving the PPE, there is an incentive for one of the two to work less so as to qualify for it, particularly if the couple can thereby reduce its child-care costs. Hence, poverty can be reduced but, at the same time, inactivity traps may be enhanced. For this reason, it is not easy to find the most efficient combination of instruments. But the current regime of reduced social security contributions phased out as earnings increase is itself a cause of high METRs as perceived by employers. However, existing studies have not been able to show the existence of such a “low wage trap”. In the long run, it would no doubt be possible to reduce this part of the METR with a different combination of the instruments where the SMIC would be less of a burden on the cost of low-skilled labour. Indeed, the comparison of METRs among OECD countries shows that they are relatively high in France; it is possible to lower them overall, even if in families with certain characteristics they may remain high. With this different mix of instruments, the cost of combating poverty would be borne more by the State and less by increasing labour costs. This would allow employment to be increased, limiting social exclusion and losses of human capital. Nevertheless, in the short run, a significant cut in reductions in social contributions would result in a significant increase in the cost of labour at the level of the SMIC and would be damaging for employment.

### ***Employment protection legislation is creating inequities among workers***

Job insecurity is concentrated in the first instance among the least skilled employees, reflecting the marked dualism between jobs involving indefinite-term contracts (CDIs), which afford rigid job protection making it very costly for firms to break the employment link, and other jobs which allow adjustments to be made (OECD, 2005b). But this dualism also increases job insecurity for workers on permanent contract to the extent that those who lose their jobs are very likely to face strong difficulties to find a new one.

In 2005 the government introduced its “new recruitment contracts” (*contrats nouvelle embauche*, or CNE) which are confined to firms with 20 or more employees. These are contracts of indefinite duration, but during the first two years the contract can be terminated for no specific reason and the notice period is shorter than for a permanent contract (two weeks for the first six months and one month thereafter). Firms can therefore escape the constraints involved in being obliged to justify dismissals during the said period. In return for the flexibility gained by firms, they have to pay more compensation than in the case of permanent contracts.<sup>5</sup> The employee is also entitled to unemployment benefit, or, if he or she has not worked long enough to qualify for such benefit, he or she is entitled to a standard allowance equal to one month’s indemnity for those who have worked at least 4 months. These measures do ease employment protection legislation (EPL) for firms able to take advantage of these contracts, but they also make the existing situation more complex by introducing a new type of contract. Moreover, because these contracts are confined to certain firms, they have created new inequalities among employees, with those working for small firms already in a different position from those in larger companies (CERC, 2005).

In order to reduce overall job insecurity, to facilitate the transition from non-employment to employment and to spread job-loss risks more evenly among wage earners, efforts to ease EPL should continue. Consideration should be given to EPL harmonization for different types of contract and the introduction of a single contract (Box 2). Different ways to ease EPL need to be considered, for instance, by relaxing the allowable reasons for “economic” dismissals that, at present, are strictly limited to cases where they are needed to maintain economic performance but can not be used to improve it, by simplifying the procedure, by providing employers with the possibility to escape obligations to help dismissed workers to find a job in exchange for a tax payable to the public employment service or by developing collective bargaining on these issues.

#### **Box 2. Adaptability of the "single contract" to the French case?**

To end dualism in the labour market, several reports have suggested the creation of a single contract (Blanchard and Tirole, 2003; Camdessus, 2004; and Cahuc and Kramarz, 2005). The types of single contract proposed by these different reports vary somewhat, but they agree on the idea of a unique permanent employment contract where the rights to job protection and redundancy payments increase gradually according to the experience gained with the employer. At the same time, the ability of employees to contest the redundancy in court would be restricted and the procedural obligations of companies would be reduced, as would their obligations to find alternative work for redundant employees. The single contract has been taken up by the OECD in the revaluation of its jobs strategy, which outlines the Austrian model where the partially unpredictable cost of redundancy is replaced by a system of individual savings accounts. The employers contribute a certain percentage of salaries to the individual accounts of employees from the first day of employment. When the employee leaves the company, s/he may use this account as a redundancy payment or keep it. If s/he is engaged by another company, this one will in turn pay the contribution into the employee’s account. This type of contract has the advantage of eliminating uncertainty about the cost of redundancy and dualism in the labour market. Being a form of compulsory saving, however, it provides no *insurance* against redundancy, which continues to be provided by the unemployment insurance system.

5. This includes severance paid directly to the employee, which is equal to 8% of the total amount of gross remuneration due to the employee after termination of the contract, and also a payment made to the unemployment benefit funds to finance the enhanced return-to-work schemes available to the employee, this being equal to 2% of the gross pay owed to the employee since the start of the contract.

**Box 2. Adaptability of the "single contract" to the French case? (cont'd)**

The implementation of this type of contract was discussed within the Conseil d'Orientation de l'Emploi and has begun to generate a set of articles on this topic (Barthélémy *et al.*, 2006). While this solution aroused a great deal of enthusiasm at the release of the first reports, the discussions within the COE with labour unions, the government and outside experts led to the feeling that implementing this single contract could give rise to substantial difficulties. There are two types of arguments:

1. A legal argument. An abolition of the role of judiciary in the relation between the employer and the employee is against the principles of the French law. These principles result not only from labour law but also from common law to which labour law is subjected to each time the employment law has no particular rules. Notions such as "good faith" and "abuse of process" are essential in labour law. So, it is not possible for the employee, even in the case of a breach of contract by mutual agreement, to give up the right to ask the courts to rule on a demand for compensation for redundancy or on a demand for it to be annulled. Nor is it possible to fix a ceiling to redundancy payments, which is what currently constitutes the essential source of uncertainty over the cost of redundancy, because it might not be possible to fully repair the damage in every case, which is against the principles of law. Finally, France is one of the eight OECD countries signatories to the agreement with the International labour organisation according to which an employee cannot be dismissed without valid motive and has the right to lodge an appeal.
2. A political economy argument. The other argument often advanced is that if agreement were found, the single contract which would result from it could be rather different from an economically efficient contract. Some feel that there would be a risk that the fixed-term contract would be suppressed and the permanent contract modified at the margin so that redundancy payments increase with experience, but that the important role of the judiciary and the restrictive obligations on companies would be retained. In that case, the flexibility currently allowed by the fixed-term contract would be lost while the "new" permanent contract would not provide enough flexibility to allow companies to adjust efficiently to shocks. This type of argument leads a number of people, including employers' organisations, to want to preserve the current fixed-term contract.

### A social protection system which is developed but not fully efficient

A country's capacity to reduce poverty via welfare spending depends both on the policies targeting the people hit by poverty and on their efficiency. Another decisive factor is the scale of the expenditure. Since welfare spending has to be financed, however, it is important to find the right balance between the scale of the spending and the cost to the economy of the corresponding taxes.

In France, as in the other OECD countries, the aims of the social protection system are manifold, including facilitating access to the health, housing and education systems, assisting families with children, providing the least well-off with a minimum income and helping people excluded from the labour market to find work. The importance attached to each objective determines the characteristics of the system. Two features in particular characterise the different systems: the degree to which they target the poorest people, and hence involve means testing, and the extent to which assistance involves obligations on the part of the recipients (Table 4). Compared with other OECD countries, the current French system remains moderately targeted on the poorest people, while transfers are not very conditional on recipients meeting any obligations. The main measures aimed at the disadvantaged are listed in Annex A1. There are also tax benefits for people of limited means (OECD, 2005b).

**Table 4. Main instruments of the social protection system for combating poverty based on means testing and the obligation to be looking for or in employment**

Means testing		Conditionality on looking for or being in employment		
		None	Looking for work	In work
		– Family allowance – Health insurance	– Unemployment benefit – Public jobs – Public Employment Service (training, job search assistance)	– Minimum wage – Employment protection – Occupational training – Support for child minding
No				
Yes		– Other family benefits – Social minima (RMI, API) – Supplementary health allowance – Housing benefit – Education allowance – Transport – Food – Emergency aid	– Social minima (ASS)	– Earned income tax credit (PPE) – Supplementary support for child minding

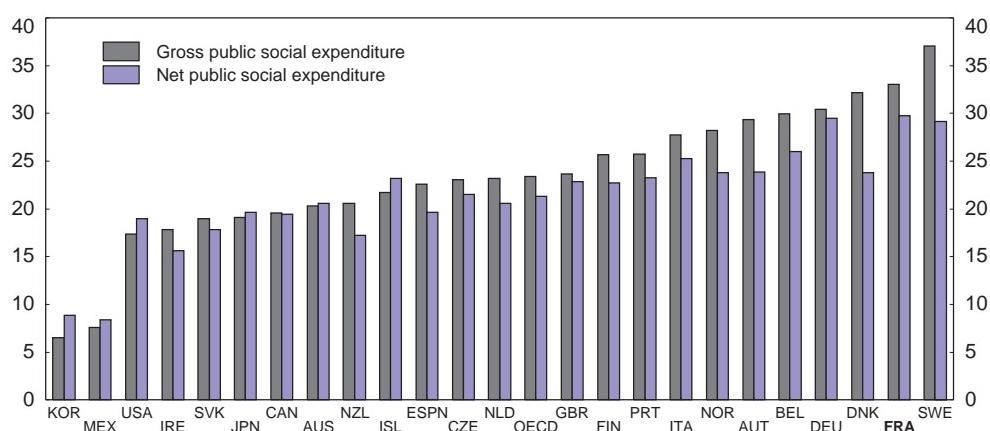
Source: OECD.

### **Social expenditure is high but not very targeted**

The burden of public<sup>6</sup> social spending in France is one the heaviest in the OECD countries, representing more than 30% of GDP. Since the mid-1990s, welfare spending expressed as a percentage of GDP has remained stable. Its high level is attributable to the weight of pensions and health spending. The country's "welfare effort", or net social expenditure, is the difference between social expenditure and the taxes paid on this spending by recipients, including tax expenditures with welfare objectives (Ladaique and Adema, 2005). At 30% of GDP (at factor cost) in 2003, France's net social expenditure was the highest in the OECD (Figure 11).

**Figure 11. Gross and net social expenditure**

As percentage of GDP at factor cost, 2003<sup>1</sup>



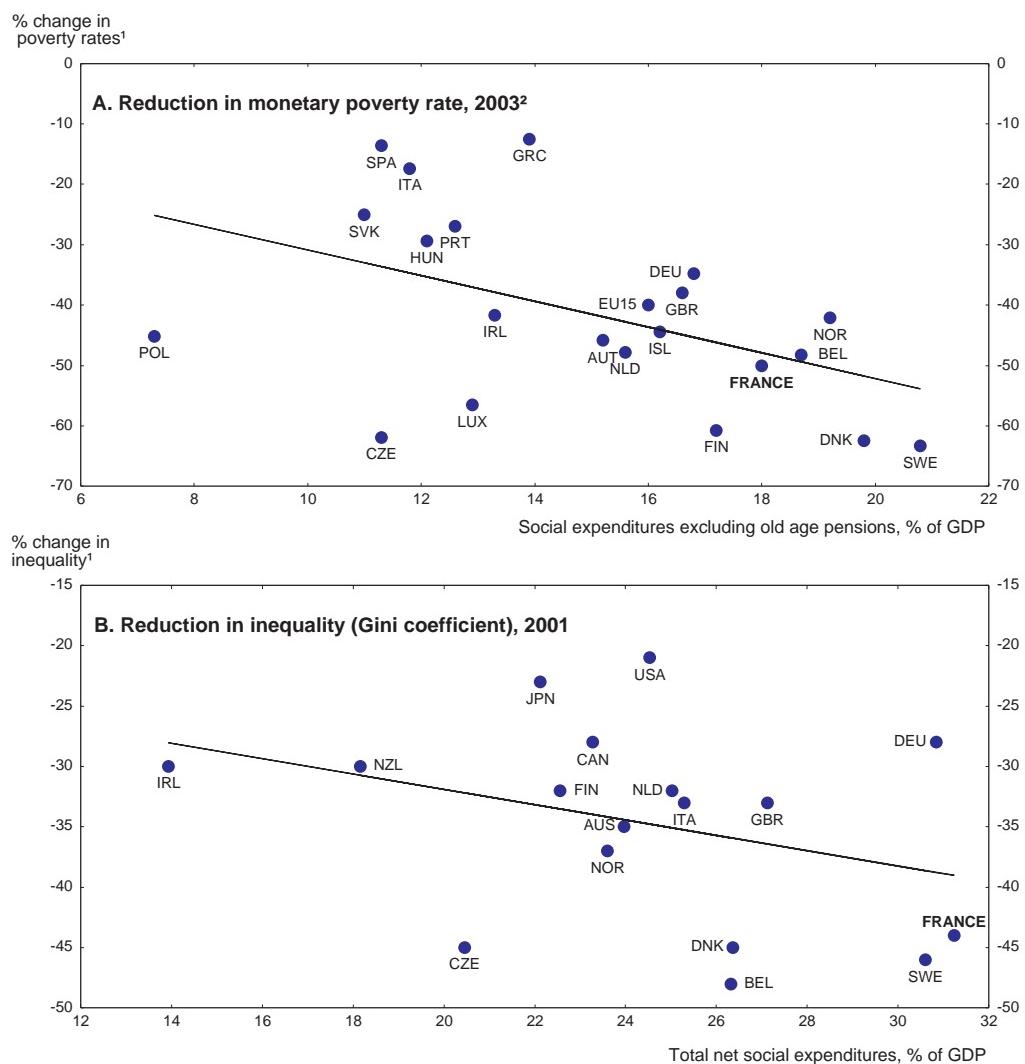
1. The net measure of social expenditure generates a consistent measure of the share of social expenditures while taking into account the diversity of taxation systems, and is the best available indicator. Nevertheless, this indicator does not take account of tax reductions for pensions. For more details see OECD (2007), *Social Expenditure Database*, [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure).

6. Private social expenditure is very low in France.

Source: OECD (2007), Social Expenditure database 1980-2003.

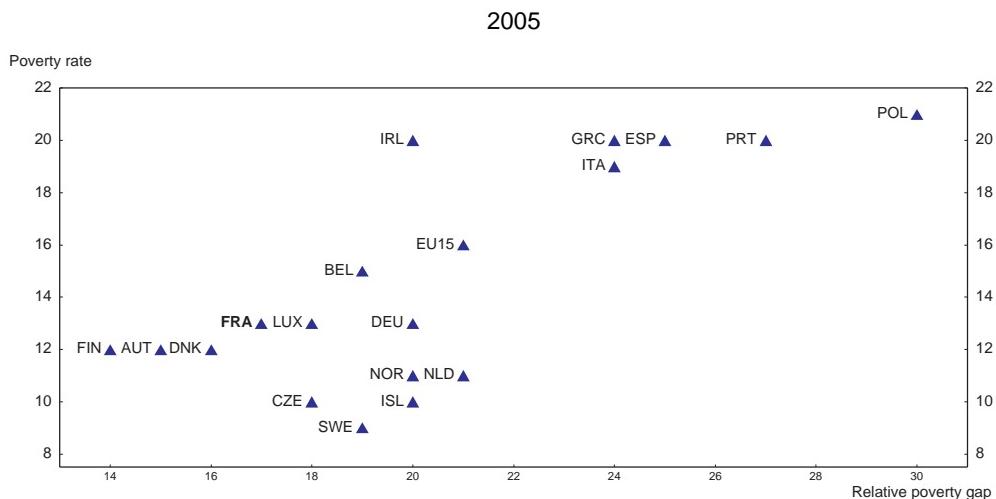
Social expenditure reduces inequality and, in particular, the poverty rate (Figure 12). But since other countries, where welfare expenditure is more targeted on the poorest, manage to reduce the poverty rate more with much the same amount of spending. From this point of view, it follows that the efficiency of social expenditure could be improved. Nevertheless, poverty intensity, measured as the gap between the incomes of the poor and the poverty threshold, is low in France compared with in other European countries (Figure 13). Social expenditure thus makes a significant reduction in the gap between the incomes of the poor and the poverty threshold.

**Figure 12. Effect of social expenditure in reducing inequalities and the poverty rate**



1. Percentage reduction in the two indicators (poverty rate and Gini coefficient) generated by the inclusion of social transfers.
2. 2004 for Iceland, Italy and Sweden.

Source: Eurostat database; and Forster, M and M. Mira d'Ercole (2005), Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s, OECD Social Employment and Migration Working Papers, No. 22.

Figure 13. Poverty intensity<sup>1</sup>

1. Poverty intensity is calculated as the difference between the median revenue of people below the 60% poverty threshold and the poverty threshold, expressed as a percentage of the threshold.

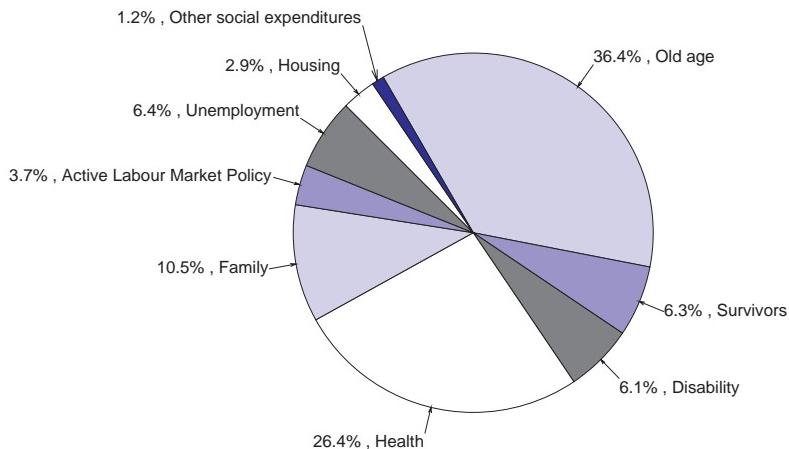
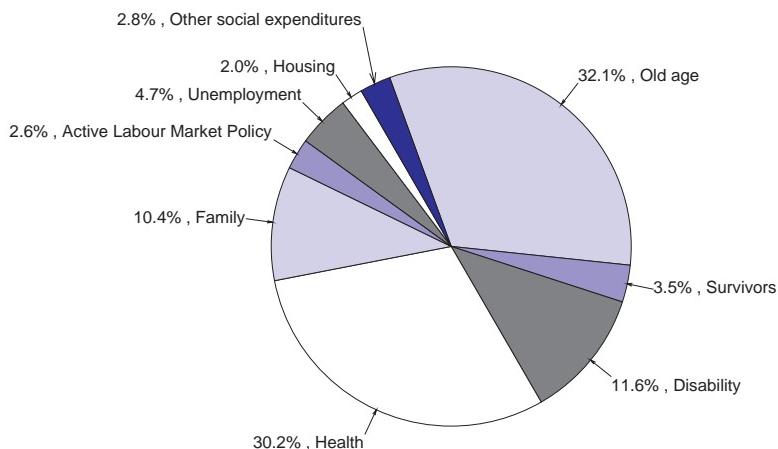
Source : Eurostat.

The amount of support received by the poorest 20% is relatively small compared to that received by the wealthiest 20% (Whiteford, 2006). Nevertheless, since social expenditure is substantial in France, transfers to the lowest quintile amounted to nearly 6% of all households' disposable income in 2000, a figure which is above the OECD average. In the countries of northern Europe, where the importance of social expenditure is similar but where expenditure is targeted more on the poorest people, transfers to the poorest 20% reach 8 to 9% of disposable income.

The fact that the French system of social protection is not very targeted stems from the burden of pension and health expenditure, which are not means tested (Figure 14). Family-related spending is also poorly targeted. Basic family allowances are paid as of the second child, without means testing, and the amount involved becomes substantial after the third child. There are, however, supplements for families with limited resources and a means-tested allowance for children aged under three. The system results in moderate vertical redistribution: children in families whose income falls into the bottom quartile of the income distribution receive 38% of family allowances, above the European average (35%) but below the 50% share attained in Spain and Ireland (Lapinte, 2002). However, with other benefits being paid to families with children, the child poverty rate in France is low compared to other OECD countries, although, on a pre-transfer basis, it is the second highest among the OECD countries behind Mexico (OECD, 2006b).

**Figure 14. Types of public social expenditure**

As percentage of GDP at factor cost, 2003

**A. France****B. OECD**

Source: OECD (2007), Social expenditure database 1980-2003.

### ***The social minima system is not an effective bastion against poverty and social exclusion***

There is a range of means-tested welfare benefits (nine of them) which, with one exception, do not require the recipient to be looking for work (they are listed in Annex A1). Three of them, the minimum subsistence income (RMI), the specific solidarity allowance (ASS) and the lone-parent allowance (API) are directed at a potentially working population. The supplementary old-age allowance and the supplementary disability allowance are designed to offset situations of permanent or sustained inactivity. The disabled adults allowance (AAH), the integration allowance (reserved for released prisoners, repatriates, refugees and asylum seekers) and the pension-equivalent allowance concern people some of whom may be economically active, but whose characteristics mean that they have particular problems to contend with. Lastly, the widowed person's allowance is paid to surviving spouses.

Depending on the system they belong to, the recipients of welfare benefits will not all have the same entitlements nor the same obligations, whereas these persons' characteristics would not warrant their receiving unequal treatment (Mercier and de Raincourt, 2005). Beneficiaries of the RMI have to sign an

integration contract and comply with it or risk disciplinary measures. However, the contract does not include any obligation to seek employment and can, in practice, amount to no more than an inventory of the benefits to which the recipient is entitled, without having any real content. Recipients of the ASS have to look for a job, while API beneficiaries have no obligations and are not monitored in any particular way. The penalties for not complying with the requirements are stringent, hardly commensurate with the means available to those concerned and in fact very rarely applied. The systems are managed by different bodies. The ASS and API are State-financed, but recipients of the ASS are monitored by the ANPE, while recipients of the API are under no surveillance. Since the Act of 2003, management of the RMI, including the payment and integration measures, has been devolved to the *départements* (see OECD, 2007).

While welfare benefits do give beneficiaries the essential minimum, they do not in the majority of cases give them incomes that reach the poverty threshold. What is more, receiving one of these benefits does not seem to make returning to work any easier. Many people continue to be on the RMI, which causes them to lose self-esteem, leaves them stigmatised and may be associated with poor health<sup>7</sup>. Relatively few welfare beneficiaries go from welfare to work. Slightly over 25% of those in receipt of the RMI or ASS at the end of 2004 were in work in the first quarter of 2006. For the API the figure is slightly lower, about 20%. In most cases, the jobs in question were temporary, part-time or State-aided (Pla, 2007). It is thus apparent that these welfare programmes have served as limited bastions against poverty and have not been very effective in promoting integration.

### **Increasing the effectiveness of policies to promote integration and provide support for the jobless**

In addition to the reforms aimed at improving the overall labour market framework, there is a need to introduce effective policies in support of integration and job search.

#### ***The system of support for the jobless is not fully effective***

Some of the different components of an effective policy to deal with unemployment have been implemented for those receiving unemployment insurance benefits, although certain aspects of these schemes could be improved (Crépon *et al*, 2005; OECD, 2005b; Debauche and Jugnot, 2006). Since 2001, all job-seekers who register with the UNEDIC (the body responsible for unemployment compensation) and who are entitled to unemployment benefit sign a plan to help them return to work (PARE), which lists the commitments entered into by the job-seeker and those undertaken by the ASSEDIC and the ANPE (the body providing placement services for job-seekers). The former must be actively looking for work, follow suggested training courses, take any acceptable job and agree to monitoring and controls. If the job-seeker fails to look for work or refuses an acceptable job, benefits are cut by 20% for two to six months if it is the first such incident, and by 50 to 100% for a second offence. Similarly, UNEDIC and the ANPE have to provide job-search support, and in this area co-ordination between the two agencies has improved. Some agencies have been created, called the “maisons de l’emploi”, that should gather all the actors involved in employment issues but no assessments of the efficiency of this system have yet been undertaken.

Job-seekers not receiving unemployment insurance benefit have to abide by the same rules or risk losing access to the services of the ANPE. But, in practice, the introduction of the PARE and the decentralisation of the RMI have led to a situation in which the jobless have widely differing rights and obligations depending on their “status” and on the institution, even though their characteristics are much the same. Rights and obligations of the jobless receiving unemployment insurance benefit have been increased, whereas those not in receipt of such benefit – recipients of the RMI, for example – are in

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7. According to a 2001 survey of recipients of welfare benefits, 20% of men and 19% of women receiving the RMI said that they were in bad or very bad health, whereas the figures for the population as a whole, in the same age group, were only 4 and 5% (Pla, 2006).

practice not integrated in the return-to-work support scheme in the same way and have few obligations. (In theory, they have access to the same job-search facilities as the unemployed receiving benefit). In particular, job search controls are less frequent for these people. Welfare benefit recipients who are not job-seekers receive little assistance with integration and have few obligations.

To make the system more effective, the rights and obligations of people in similar situations should be harmonised. In addition, the balance between so-called insurance benefits, involving obligations, and solidarity allowances, which involve fewer binding obligations, should be redefined.

### ***Introducing a common system and obligations for recipients of a replacement income***

Receiving any allowance has to be conditional on signing a contract whose objective is to bring people closer to the labour market. The contract must include mutual obligations on job-seekers and the public employment service, and receiving an allowance has to be conditional on compliance with the obligations. The obligations should depend on the strength of the person's links with the labour market. The PARE is a basis that could be used to integrate all potentially active but jobless persons. Some aspects of the PARE ought at the same time to be improved so as to make it more effective. Thanks to experiments conducted at local level and in other countries, plus a number of reports on the integration of people in difficulty, it is possible to establish certain principles presented in Box 3 which, if followed, should lead to improvement in the present system.

#### **Box 3. Principles for defining the single integration contract**

- *Setting up a one-stop shop.* Any potentially active non-employed person wishing to receive benefit must apply to a one-stop shop. Some efforts have been made in this direction with the creation and development of job centres, the *maisons de l'emploi*, which bring together all the actors involved in employment issues. They could become the place where the integration contract is written. This initial contact should allow people to be divided into two categories: those who are able to look for work immediately, with some degree of support, and those who need to solve specific problems before finding a job, the said problems including, for example, skills, health, childminding, geographic mobility, etc. The social structures (mother and child protection centres, services responsible for the allocation of low-cost housing, the health services, for example) have to collaborate closely with job centres, which is sometimes already the case. Some departmental councils (*conseils généraux*) have established special structures for integration, but since integration is closely linked to employment, it does not seem advisable to create additional structures.
- *Steering people towards specific integration programmes.* For those able to work immediately the initial interview is with the ANPE, as in the existing PARE, and it should result either simply in unrestricted access to the services of the ANPE for the majority of people, or in more specific measures. For people who are quite far from the labour market, the interview should be held with actors in the area in which the person concerned is encountering special difficulties but in association with the ANPE. The main factors impeding the person's integration (health, housing, skills, family situation, geographic mobility,) need to be identified and specific remedial measures drawn up in the areas in question together with the recipient and the social actors competent in those areas. The experience gained by other countries shows that profiling techniques can enhance the effectiveness of this orientation phase (OECD, 2006a). It would also seem preferable to focus resources on those most in need, rather than spending them over a large number of people. In any event, when the interview takes place, it is important to clearly establish people's obligations and to plan specific measures for those that need them.
- *For people capable of working, the obligation to look for a job.* Except in special cases where specific measures have to be taken before any job search is even possible, receiving benefit has to be made conditional on looking for work. Apart from these special circumstances, therefore, people should register with the ANPE. Job-search results could be assessed on the basis of how far the person is from finding employment. The category of those not liable to any job-search obligations needs to be as small as possible.
- *Monitoring compliance with the integration contract.* It would seem preferable for every person to report on changes in his situation to a single adjudicator. The latter may be an actor in the area in which the person has encountered the greatest difficulties. More random checks on compliance with contracts could be performed, using sample lists of beneficiaries. Checks need to be stepped up for all measures and should be accompanied by credible penalties in the event of non-compliance. Partial or total, temporary or definitive suspension of benefits ought therefore to be possible, which is the case for unemployment insurance but not for welfare benefits.
- *Systems evaluation.* The effectiveness of the services available to job seekers needs to be tested at regular intervals so that services which are ineffective can be altered or dropped. The people in charge of the services have to be trained and assessed. Communication between the different actors, territorial authorities, devolved government services and ASSEDIC needs to be strengthened so as to identify effective practices that can be adopted by all. Evaluations should be made public.

Along with the harmonization of the rights and obligations of the non-employed, the various replacement income levels could also be updated. The welfare benefit amounts received by potentially active people need to be equalised. In order to combat poverty, especially among young people who are not entitled to the RMI (those under 25), resuming work, even of short-term duration ought to afford entitlement to a supplement on top of the welfare level. At present, the right to unemployment benefits and the replacement rate depend on the “stream” to which an unemployed person belongs, this depending on his age and how long he has contributed to unemployment insurance. To have access to benefits, the minimum requirement is to have contributed for six consecutive months. This threshold could be lowered, but to avoid raising outlays, it would be best to reconsider the entire unemployment insurance system because its complexity and lack of transparency lead to various costs and inequities (Coquet and Sylvain, 2006).

When it comes to harmonising the rights and obligations of all non-employed but potentially active persons, as was proposed above, the problem is the multiplicity of actors involved and the fact that different levels of government have major responsibilities, resulting in a loss of efficiency (Marimbert, 2004). Communication and co-ordination between the different actors must continue and be encouraged with the object of narrowing the gap between the rights and obligations of the non-employed who are potentially active. Responsibilities have to be clearly defined. Responsibility for placing job-seekers as a whole, whether they receive unemployment insurance or welfare benefits, should lie with a single institution with the possibility to sub-contract the treatment of some jobless to private services. There should be the closest possible co-ordination between that institution and those which finance the allowances and insurance, and a merger of the ANPE and the UNEDIC should be considered (OECD, 2007). In any event, the schemes need to be assessed.

#### ***Enhancing the effectiveness of the specific programmes available to the unemployed and excluded***

France has a large number of specific work contracts for the unemployed (OECD, 2003 and 2005b). These are contracts which are partly State-aided via reductions in social insurance contributions or specific forms of assistance for categories of people who have difficulty gaining access to the labour market. In some cases they are coupled with training. The 2004 Social Cohesion Plan has refocused these contracts on the persons furthest removed from the labour market and in the non-market sector. While these contracts no doubt enable some people to enter employment, a number of criticisms have been levelled at the system (OECD, 2005b; Cour des comptes, 2004) such as its complexity the perpetual changes to which it is subject. Furthermore, there has not been much evaluation of the impact of the different measures on the paths followed by beneficiaries. What is more, access to these systems depends on legal criteria<sup>8</sup> which can exclude certain people for arbitrary reasons. Finally, the system of adult training as it is currently organised does not provide the unemployed who are the most distant from the labour market with the possibility of undertaking long and costly courses that they might need (Cahuc and Zylberberg, 2006). Focusing all these systems of support for returning to work on the persons furthest removed from the labour market has to be continued in order to limit the deadweight losses. The system should be simplified and then stabilised; efforts to evaluate the effects of these measures, including the creation of the *maisons de l'emploi*, on employment must continue and even be stepped up.

The experience gained by other countries and existing evaluations of the French systems show that market-sector schemes are a more effective way of reintegrating people in the labour market than non-market systems. That said, the beneficiaries of the two types of measures are not the same, and it is probably not possible to integrate everybody in the market sector. “Social entrepreneurship” is an

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8. These criteria include the age, the level of education and the type of welfare benefit the person receives.

alternative to assisted contracts. This refers to firms operating in the competitive sector, with employees in difficulty (former long-term unemployed, welfare beneficiaries ...), subject to the normal labour code - especially in terms of wages - but receiving assistance from the State to offset poor labour productivity and the high level of supervision required. As a rule, the assistance received diminishes over time so as to encourage firms to become profitable. Reintegration companies do exist in France (Emmaus is one example). They have to take on employees far removed from the labour market, and labour contracts are for two years at the most. The advantage of these jobs compared to assisted contracts in the non-market sector is; first, that the beneficiary is plunged into a competitive world and thus better integrated in the normal labour market; and, second, the firm has direct incentives to make sure that the employee's productivity increases. Ultimately, this form of integration could replace a number of assisted contracts if it proves more effective.

### **Combating the spatial concentration of poverty and the hysteresis process**

Poverty is mainly concentrated in the South of France (Provence-Alpe-Côte d'Azur, Languedoc-Roussillon and Corsica), the North (Picardy and Nord-Pas-de-Calais), the Ardennes and Ile-de-France. It is essentially urban (ONPES, 2006). In the major urban areas (Paris and Lyon), poverty is found more in the suburbs, whereas in those medium-sized urban areas that have been through major industrial restructuring, poverty tends to be more prevalent in town centres. The tendency for poverty to become more urban increased between 1996 and 2002, but the risk of poverty in rural areas remains high. Compared with poverty thresholds in metropolitan France, poverty rates are very high in the overseas departments, but, taking a threshold specific to each department, poverty appears less marked than in France itself.

#### ***Housing – the main source of spatial hysteresis***

The appearance of pockets of poverty away from town centres, and hence away from employment areas, creates spatial hysteresis (Fitoussi *et al.*, 2004). People distance themselves that much more from the labour market and from links with society in general when they live far removed from economic activity or the majority of other people in the neighbourhood are also unemployed. The sort of social networks which are of assistance in looking for work are lacking in poor areas. Housing and planning policy itself are central to these kinds of hysteresis. Rising property prices have excluded the poorest households from certain geographic areas, while the expansion of public housing has brought them together elsewhere.

These spatial hysteresis effects, which are felt strongly by young people from disadvantaged areas, partly explain the “suburbs in crisis” episode. The autumn of 2005 saw rioting in the Paris suburbs and in other towns by certain youths who were mainly from these areas and who set fire to and damaged cars and public buildings, including day nurseries and schools. These events illustrated the failure of integration policies and policies aimed at reducing inequality of opportunity.

Poor households are particularly hard hit by housing problems. Because of rent hikes, housing accounts for an increasing share of expenditure by poor households living in private accommodation. Their “rate of effort” in the private sector, *i.e.* the ratio of a household's spending on housing to its income (including housing benefit), rose from 19% in 1998 to nearly 26% in 2002. The rate of effort in the social sector is much lower, reaching only 10% in 2002, but many households do not have access to this sector. The fact is that rent increases in the private sector, together with buoyant immigration, have resulted in a rise in unsatisfied demand for social housing, which was estimated at 1.3 million units in 2003.

Poor households are more likely to live in poor quality and overcrowded housing.<sup>9</sup> Although overcrowding has diminished across all households since 1998, it has remained at the same level for poor households: one poor household in five lives in overcrowded conditions. Unsanitary conditions are more prevalent in private-sector housing, since the condition of social-sector units is more tightly controlled. The problems of unsanitary and overcrowded housing affect children above all, exposing them to considerable health risks and adversely affecting their chances of success at school (Goux and Maurin, 2006). They therefore help to perpetuate inequality.

Social housing, which could provide a way of dealing with the monetary aspect of the problem, generates other problems, like spatial segregation. A substantial proportion of the stock of social housing is isolated from employment zones, thus further attenuating the links between their inhabitants and the rest of society. Those who live in such developments, especially the children, mingle with others who are also on the margins of society, causing copy-cat behaviour that undermines their chances of success. These effects are amplified by the fact that “rich” households can choose where to live and hence the schools to which they send their children and therefore shun areas with this type of housing (Maurin, 2004). The fact that a substantial proportion of the population in such neighbourhoods is of immigrant origin further increases their isolation in relation to the rest of the population.

The problem of housing the poor is therefore a complex one. Successive governments have developed a set of policies to help poor households improve their housing (Box 4). The policies may be divided into three categories: the development of social or rent-controlled housing, housing benefit and assistance for home ownership. All of them have advantages and drawbacks.

Social housing was originally intended not for poor households as such but for production workers drawn to towns and cities by the industrial revolution. As time went by, the range of beneficiaries expanded to include all households encountering housing difficulties. The policy has always consisted of giving a broad slice of the population access to social housing in order to increase social mixing while linking rents to household income. However, the poverty level of social housing residents has risen with the creation of housing developments remote from centres of employment, though it remains low. In 2002, 35% of social housing units were occupied by households whose income was situated in the bottom quartile, compared with only 10% in 1973. The low proportion of poor households occupying social housing conceals different situations: very few poor households live in the units built most recently, whereas many more live in the oldest units and those most remote from economic activity. This phenomenon is due partly to the way in which the housing is financed, especially the fact that companies which provide finance can use such developments to house their own employees, and partly to a sometimes opaque allocation system. It is only since 1998 that social housing has had to be allocated as a priority to disadvantaged households.

To be effective, policies to promote social and rent-controlled housing must try to redress the imbalances in the property market, which requires a thorough knowledge of that market and the capacity to anticipate developments and react quickly. Paying aid directly to individuals helps to circumvent these problems. However, it raises other difficulties, especially the risk that, if landlords’ supply of housing is partly inelastic in the long run, assistance might lead to higher rents and thereby be partly siphoned off by the owners. Rents for low-income households in France have risen sharply since the mid-1990s, and have caught up with the rent per unit of surface area of households in the top decile (Fack, 2005). It has been

9. A housing unit is deemed overcrowded if it has fewer rooms than a standard established as follows: a living room for the household, one room for each reference person in a family, one room for two children of the same sex or aged under 7, otherwise one room per child. By that standard, one-room housing units are deemed overcrowded.

**Box 4. The main forms of housing aid available to poor families**

Public expenditure on housing represented 1.7% of GDP in 2002. Aid to consumers (tenants and owner-occupiers) has increased sharply over the last 20 years and now accounts for three-quarters of all aid, the remaining quarter being directed at developers, landlords and owners. Direct aid to individuals has levelled off in recent years, while tax exemptions have increased (Gilli, 2006). The main forms of housing aid are as follows.

**Social housing and private low-rent housing**

There are over four million social housing units in France, and social housing accounts for one principal residence in six. Unsatisfied demand for social housing is estimated at 1.3 million units. The number of social housing units built each year has fallen sharply over the last 15 years. To remedy this problem, under the Solidarity and Urban Renewal Act, which came into force in 2000, social housing must account for at least 20% of the housing stock in communes with over 3 500 inhabitants (1 500 in Ile de France) belonging to urban communities with over 50 000 inhabitants. In practice, a certain number of communes do not respect this threshold and pay a non-dissuasive tax (of 150 Euros per unit, but sometimes less).

Social housing is allocated according to family situation and financial resources. Rents are means-tested. Households in social housing whose resources exceed the ceiling are required to pay a rent supplement.

Social and rent-subsidised housing is financed either directly by the government, through the 1% housing levy (see below) or by developers with the help of tax incentives for investment (the so-called Quilès, Méhaignerie, Périssol, Robien, Besson and, more recently, Borloo laws). The methods also help to finance low-rent housing allocated according to less strict means testing. The Finance Ministry estimates the deadweight costs of these tax incentives at 25%. The most recent measures taken by the government (*Borloo populaire*) apply to lower-rent housing than the previous measures.

**Housing benefit**

Means-tested housing benefits are paid according to various criteria to households renting or buying an accommodation (see Annex A1 for more details).

**Promoting home ownership**

There are several measures to promote home ownership. One of them is a means-tested, limited-amount zero-interest loan, available to first-time house buyers from credit institutions under contract with the government, which pays the interest. State-guaranteed loans are also available.

**Financing housing policy**

The government and the corporate sector finance housing policy through the 1% housing levy. Since 1953, firms have had to set aside a fraction of their payroll to finance employees' principal residences. The initial 1% rate was subsequently cut to 0.45%, the government funding the other 0.55% through the National Housing Aid Fund (FNAL). The levy used to apply to firms with more than 10 employees, but the threshold was raised to 20 employees in 2006. It helps to fund social or regulated rental housing and housing in areas where there is insufficient supply with the aim of promoting a better social mix, urban regeneration and home ownership.

argued that this development is partly due to the expansion of housing benefit, more than half of which seems to have been absorbed by higher rents. The argument attributes this effect to the increase in demand, partly by students. As tax incentives designed to boost the supply of housing generate a significant windfall effect, it is very important to target them precisely.

The government increased its support for housing policy with the Social Cohesion Plan of 2004, focusing particularly on urban regeneration. This involves demolishing or refurbishing poor-quality social housing remote from employment zones in order to combat the "ghettos" that were forming in certain

areas. Tax incentives targeting low-rent housing and aids to promote home ownership have also been expanded. They are steps in the right direction. Regeneration must continue and new housing built, close to employment zones wherever possible. As housing policy has consequences not only on the material conditions of people's lives and on access to employment but also on children's success at school and delinquency, it is important to assess the impact of such policies in all these dimensions. That in turn implies trying to define indicators of outcomes.

The housing problems encountered by poor people stem from insufficient appropriate supply. The reasons for that lack need to be identified and taken into account in housing policy. Letting a property to a poor household entails a higher risk of non-payment than letting to wealthier families. This risk generates a cost to the landlord, amplified by a whole set of regulations to protect tenants. For example, the legal procedure for terminating a lease for non-payment of rent is both complex and lengthy. Local authorities may refuse to enforce an eviction order if they consider that it may "disturb the public order". It is not possible for a landlord to recover a property for the use of his children if the tenant is over 70 and has little income. Although it is essential to prevent situations in which families are left without a roof over their heads because they have been evicted, passing the cost on to private landlords is not very effective since it discourages them from increasing the supply of housing. The aim of housing policy must be to stimulate this supply, for example by easing regulations and taking further steps to support homeless families. Legislation has tended to move in this direction, though some measures have increased the cost borne by landlords. In early 2007 a law was under discussion that would make housing a legally enforceable right. Its aim is to guarantee housing to disadvantaged people and, thus, to give them the possibility to bring their case before a court. At this stage, it is not decided yet how this law would be enforced, hence it is difficult to tell what its effects would be. Nevertheless, supporters should not ask the level of government that will have the responsibility to enforce it to introduce new constraints on renting. If this were to occur, it would ultimately lower housing supply and lead to the opposite result from that which was originally desired.

### ***Assessing the impact of locally targeted policies***

The areas most affected by the problems of poverty and social exclusion are also those where tax revenues are low because households' taxable incomes are modest and there are relatively few firms. Various measures exist – mainly transfers from central to regional government – that go some way to correcting these inequalities (OECD, 2007). Transfers of resources to regional authorities and central government policies sometimes target specific, usually urban, zones. There are three types of zone, which do not completely overlap: priority zones under urban contracts; sensitive urban zones (ZUS), reflecting a range of urban policy concerns including housing and business implantation; and education priority zones (ZEP), which come under the aegis of education policy and are thus a matter for the Education Ministry (OECD, 2007). Having three types of zone with relatively similar objectives rather than a single, possibly graduated zoning system creates substantial administration costs, may cause inequalities among areas that face similar difficulties and hinders effective policy targeting.

In addition, the effectiveness of targeting social policy on geographic areas rather than people remains unproven. A report from the ZUS Observatory (ONZUS, 2005) paints a relatively unflattering picture of the effectiveness of the ZUS system. The upwardly mobile leave such zones. More fragile populations, such as immigrants, the least skilled and single mothers, tend to stay. More people leave than arrive, and the socio-economic characteristics of new entrants are very similar to those of existing residents, which does little to encourage social diversity (Maurin, 2004). The proportion of the most fragile populations living in ZUS has thus tended to rise. The fact that a neighbourhood is classified as a ZUS tends to create a stigma, increasing existing problems and further limiting upward mobility among residents.

The measures taken within ZUS do not appear sufficient to bridge the gap with the rest of the country in terms of health care, education and delinquency. Year six pupils in ZUS schools have more dental and obesity problems than those in non-ZUS schools, and these differences do not disappear thereafter. Crime levels are higher in ZUS than in other neighbourhoods. Likewise, the results of priority education zones (ZEP) are hardly supportive (OECD, 2007).

There may be two reasons for these disappointing results: either a failure of the measures in themselves, or insufficient targeting of zones where the difficulties are greatest. The government considers that the relative failure of zoning policies is due mainly to insufficient targeting of zones in difficulty. That is why ZEP zoning has been revised to improve targeting, though there are no plans at present to review the other zoning systems. Better targeting is doubtless necessary. However, the stigmatising effects of zoning should not be ignored. To limit those effects, measures that concern individuals directly (medical aid, for example) should be attached directly to the individual rather than mediated through a tier of local government. The impact of zoning measures should be assessed on a regular basis, and, where zoning is deemed ineffective, it should be dropped. Where it is effective, the system should be simplified. There should be a single zoning system, defined according to the distribution of inequality across the country, which would provide a basis for all social policies that need local targeting.

The government has introduced several measures for children from disadvantaged areas, like the “educational success” programme, which is intended to take all of a child’s difficulties into account and try and remedy them, for example through one-on-one support. However, ambitious programmes like these should not mask the equal need to reduce the disparity in health outcomes between ZUS and non-ZUS children. Although in principle the government picks up the bill for providing health care to the most disadvantaged populations (see Annex A1), it may be difficult for such people to access it, especially if they speak poor French. These difficulties have a knock-on effect on children and families. They may be remedied either by developing dispensaries that give those entitled to it free access to health care or by introducing intermediaries responsible for establishing a link between health care professionals and families and children encountering specific difficulties.

### **Specific policies for immigrants and ethnic minorities**

The combination of unfavourable situations for immigrants in several dimensions (non-employment, overcrowded social housing, geographic isolation) leave them and their children highly exposed to the risks of poverty and social exclusion. Differentials in employment rates for immigrants and non-immigrants are not particularly great in France compared with other OECD countries (OECD, 2006c). Nonetheless, they exist. The unemployment rate for immigrants was 16.4% in 2002, twice that for non-immigrants. The activity rate for immigrant women is much lower than for non-immigrant women. The level of unemployment among immigrants makes them all the more likely to have low incomes and hence less favourable living conditions. Immigrants are more likely to live in overcrowded and social housing and are therefore also more exposed to spatial hysteresis. Immigrants, when in employment, are more likely to be in unskilled work than non-immigrants.

A new initiative to integrate new immigrants, the “welcome and integration contract”, was introduced in 2003. It contains a reciprocal commitment whereby new immigrants undertake to abide by the rules of the French Republic and attend a civic training course, and the government undertakes to help them with access to fundamental rights and learning French. Signatories are offered a number of services, including a medical check-up, a review of their situation with a social worker and French lessons. The scheme was tried out in a few *départements* and then extended to the whole of the country. It is a step in the right direction, since it introduces reciprocal obligations and offers new arrivals language classes which, in the light of experiments conducted in other OECD countries, are important elements of integration policy (OECD, 2006c). It should serve as an opportunity to direct unemployed immigrants as

quickly as possible towards return-to-work contracts. Trying out the scheme before introducing it across the board is another constructive example.

Social characteristics are not the only reason why the risk of poverty is greater among immigrants. Discrimination also plays a part. Discrimination does not appear to be particularly prevalent in schools, at least until the secondary level. Taking social characteristics into consideration, the children of immigrant parents do as well as or better than the children of non-immigrant parents (Vallet and Caille, 2000). But serious discrimination exists in the labour market (Bébéar, 2004; Tavan, 2005).

Aware of these problems, the government is making equality of opportunity one of its priorities. Two institutions have been created to that end: the National Agency for Social Cohesion and Equal Opportunities (ANCSEC), which is supposed to set up initiatives for the residents of disadvantaged neighbourhoods, and the High Authority against Discrimination and for Equality (HALDE), tasked with combating discrimination prohibited by law. Given that the complexity of the institutional system in the fight against social exclusion has already been identified as a possible source of loss of effectiveness across the whole policy spectrum (Barbery *et al.*, 2003), it would be more appropriate to limit the number of existing institutions rather than add more. At this point, existing bodies appear to have roles close to the one assigned to ANCSEC. The creation of HALDE is more innovative. Though it is by no means self-evident that the possibility of reporting a discrimination offence is sufficient *per se* to reduce discrimination, HALDE's work in raising awareness of the extent of discrimination and promoting best practice is doubtless an appropriate way of curbing discrimination.

A number of positive discrimination measures have also been introduced. The *grandes écoles*, for example, set aside a certain number of places for students from education priority zones. Consideration was given to making jobseekers' CVs anonymous and some firms have indeed decided to introduce the anonymous CV. It is very difficult to know how effective these measures are, but in all events they do not offer in-depth solutions to the problems encountered by immigrants or ethnic minorities. Priority should be given to comprehensive measures in the labour market and the social sphere as a whole and to educational measures in order to facilitate the integration of all "high-risk" groups, including immigrants. Such measures should help to prevent situations of poverty and social exclusion and remedy them more effectively when they arise. They are summarised in Box 5. Policies targeting specific groups should be used only where broad measures are insufficient and should preferably focus on small, well-identified groups.

**Box 5. Summary of recommendations for combating poverty and social exclusion**

**Increase job security for all throughout working life**

- Co-ordinate policies to raise the minimum wage, to reduce social security contributions and to encourage employment through in-work benefits so as to combat poverty more efficiently. Ensure that the minimum wage grows more slowly than the median wage by, at the least, eliminating discretionary increases; this would reduce the relative cost of low-skilled labour and automatically reduce the cost of reductions in social contributions, which are proportional to the minimum wage, as a share of GDP. Use some of the available resources to enhance in-work benefits. Limit inactivity traps by ending the allocation of related benefits according to the type of benefit received.
- Review the benefit system to ensure that having a job, even if only for a short time, generates additional income in relation to benefits alone.
- Ease employment protection legislation to facilitate the move from unemployment into employment and reduce inequalities among workers. Move towards a single employment contract with employment protection that increases with length of service. Ensure that the contract provides adequate flexibility for firms to adapt to shocks and structural changes.

**Harmonise the rights and obligations of the jobless; increase the effectiveness of return-to-work schemes**

- Introduce a common scheme to direct the non-employed who are potentially active towards programmes that encourage integration and entry into employment and job-seeking. Identify for each person the main obstacles to finding employment, propose specific measures to overcome them and define the person's obligations. Target these specific measures on those most remote from the labour market. Use profiling techniques to try and increase the effectiveness of targeting. Evaluate the efficiency of the scheme.
- Make payment of income support dependent on the fulfilment of obligations. Make it compulsory for any person receiving income support and capable of working to look for work. Develop enforcement procedures and introduce the possibility of graduated sanctions.
- Co-ordinate and forge closer links among players from across the social policy spectrum, i.e. social protection and employment policy. Use employment centres ("maisons de l'emploi") in coordination with social policy. Ensure that intervention by different levels of government in social policy management does not hamper policy effectiveness. Allocate the responsibility for job placement to a national institution. Consider a merger of that institution and those which finance welfare benefits and unemployment insurance.

**Resist the geographic concentration of poverty and spatial hysteresis**

- Continue policies designed to develop social housing in areas with adequate employment opportunities. Increase targeting of this housing on the poor, but maintain the goal of social diversity. Assess housing policy, giving consideration to its many different impacts, not only on financial resources. Ensure that regulations governing private rental housing do not discourage its supply. Continue efforts to support evicted families without counterproductive constraints on landlords.
- Simplify existing zoning systems, focus them more tightly, regularly assess their effectiveness, and drop them when they are ineffective. Direct aid to the individuals concerned.
- Ensure that mechanisms for allocating resources between different geographic areas give sub-national authorities the means to fight poverty according to their needs and that they do so efficiently (see OECD, 2007).
- Continue programmes to teach French to immigrants and children of immigrants who do not have a good command of the language. Increase efforts to achieve major improvements in health outcomes among the most disadvantaged children.

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## *Annex A1*

### **The French Social Protection System: main measures for the disadvantaged**

#### **Health**

Everyone living on French soil is entitled to health coverage. Those living legally in France who are no longer entitled to health insurance (unemployed persons not registered with ANPE, the national employment agency, after one year for the daily subsistence allowance and four years for reimbursement of treatment, if they are not related to a person with entitlement, for example) are entitled to basic universal medical coverage (CMU). Basic medical coverage gives the right to the same services as health insurance and under the same conditions except that patients covered by the CMU do not have to pay the 1 euro co-payment on ambulatory services which was introduced in 2004.

For beneficiaries of complementary universal medical coverage (CMUC), the full cost of medical treatment is assumed and healthcare expenses do not have to be advanced. Those on income support (RMI) are automatically entitled to the complementary scheme without means testing. To limit the threshold effect resulting from the sudden loss of entitlement to complementary coverage when an individual's income exceeds the limit, a supplementary healthcare benefit has been created. It is available to those whose income exceeds the CMUC ceilings by up to 20%.

People who do not meet CMU residence criteria but who have lived in France without interruption for over three months, including those without a residence permit, are covered (subject to a means test) by state medical aid (AME). Beneficiaries of AME are not required to advance healthcare expenses.

#### **Family**

- Family allowance

Family allowance is paid without means testing to any person with two or more dependent children under 20 years of age. The benefit is € 117 per month for two children and € 150 for each additional child. There is a supplement of € 33 to € 58 per child for children aged between 11 and 16. There is a flat-rate allowance of € 74 for children during their twentieth year (depending on the child's financial resources).

There is a means-tested supplement of € 152 per month for families with three or more children (the thresholds are € 26 700 per year for a single-earner couple and € 32 700 for a dual-earner couple or a single-parent family).

- There is a means-tested schooling allowance of € 268 per child per year.
- Infant benefits

The following means-tested benefits are available to the parents of infants:

- a one-time birth allowance of € 841,
- a basic monthly allowance of € 168 per family until the child is three years old, that can be added to family allowances but not to the means-tested supplement,
- support for child-minding.

A supplement is also available for people who stop working or work part-time after the birth of a child. The supplement for a person who stops working is € 522 per month (but this can not be added to the basic allowance). The supplement for a person who works part-time varies between € 300 and € 400 per month depending on the number of hours worked. The benefit is payable until the child is three. There is a larger supplement (€ 746 at most) for a person with three dependent children who decides to stop working, though it is payable for only one year. Claimants must thus choose between a smaller supplement paid for three years and a larger supplement paid for one year.

## **Housing**

Housing benefit is paid according to various criteria (resources, family situation, characteristics of the housing) to people renting or buying accommodation.

There is a means-tested individual housing benefit for persons renting regulated accommodation (*i.e.* social housing or housing for which the landlord has entered into a contract with the government) or buying a property with the help of a soft loan. The amount of benefit depends on financial resources, family situation and the characteristics of the housing unit.

A relocation allowance exists for persons eligible for housing benefit who move because their household has increased in size. It reimburses removal costs up to a certain amount.

## **Unemployment**

Unemployment benefit is paid to jobseekers who have contributed to the unemployment insurance scheme. Calculating the amount of the benefit is complex: it depends on the salary before loss of employment and how long the person has contributed to the scheme. Benefit is paid for a maximum of 36 months and is taxable. In particular, the unemployed pay pension contributions. It is possible to cumulate unemployment benefit and paid work for the first 18 months after re-entering work if the earnings do not exceed a certain amount.

## **Social minima**

There are nine social minima granted after means testing in various situations. 7% of the population aged over 20 receive a social minimum. The main benefits are as follows.

### ***Minimum income support (RMI)***

The RMI is paid to persons aged 25 and over who have few or no resources. Beneficiaries must sign an integration contract. It is a top-up benefit, meaning that the beneficiary receives the difference between his or her other resources and the maximum benefit amount. The amount depends on the individual's situation. Amounts are reduced if the person receives housing benefit.

It is possible to cumulate the RMI with earned income for a limited period. If the recipient finds a job, the income is not taken into account when calculating income support for the quarter in which the person returns to work and for the following quarter. Subsequently, for those working less than 52% of the standard legal working time, half of the person's earnings is taken into account in the following nine

months. For those taking a job with more than 78 hours work per month, they can receive two further credits: a payment of € 1 000 in the fourth month (the back-to-work benefit) and another of € 150 per month for single people (€ 225 for others) for nine months. Recipients of the RMI are automatically entitled to universal and complementary universal medical coverage, which means that all their healthcare and hospitalisation costs are paid. They are also entitled to reduced telephone subscriptions and full exemption from local property tax.

#### ***Specific solidarity allowance (ASS)***

Persons no longer entitled to unemployment benefit who have contributed to the unemployment insurance scheme are entitled to the specific solidarity allowance. It is subject to restrictive conditions. The maximum amount is € 406 per month. The same system of cumulating benefit and earnings as for the RMI has been in place since 2006.

#### ***Adult disability allowance (AAH)***

The adult disability allowance is a means-tested, top-up benefit for persons with an 80% disability or persons with a lesser disability who are unable to work.

#### ***Single parent allowance (API)***

The single parent allowance is a means-tested benefit for single people (unmarried, widowed, separated or divorced) expecting a child or with one or more dependent children that can be claimed until the youngest child is 3 years old. It is a top-up benefit, i.e. the person receives the difference between their other income and the maximum amount of the benefit. The amount depends on the person's family situation, and is reduced if already in receipt of housing aid. The system of cumulation is the same as for the RMI.

#### ***Minimum pension***

There is a means-tested minimum pension for persons aged over 65, including those who have not contributed or who have made only small contributions to a social insurance scheme.

#### ***Other benefits for restricted categories of individuals***

- **Supplementary disability allowance:** a top-up to the disability allowance for persons aged under 60 whose disability allowance is very small.
- **Integration allowance:** for ex-prisoners, repatriates, refugees and asylum seekers.
- **Pension equivalent:** for unemployed persons aged under 60 who have contributed to pension insurance for at least 160 quarters.
- **Survivor's allowance:** for surviving spouses.

Table A1.1. **Amount of social minima and distribution of beneficiaries**

As percentage of GDP at factor cost, 2003

	Percentage of beneficiaries of a given social minimum (2004)	Allowance <sup>1</sup> in per cent of the net SMIC (2006)
Minimum income support (RMI)	35	45
Specific solidarity allowance (ASS)	11	45
Adult disability allowance (AAH)	24	64
Single parent allowance (API)	6	58
Supplementary old-age allowance	18	64
Supplementary disability allowance	4	64
Integration allowance	1.5	95
Pension-equivalent allowance	1	98
Survivors allowance	0.4	51
<b>Total</b>	<b>100</b>	<b>55<sup>2</sup></b>

1. For a single childless person.

2. Average weighted by the number of beneficiaries in 2004.

Source: OECD (2007), social expenditure database 1980-2003.

### Specific measures for the most disadvantaged

The government has introduced various reception, accommodation and integration measures to assist the most disadvantaged. Other measures, not considered here, are taken by local authorities and NGOs.

#### *Emergency aid*

In urgent cases, especially for the homeless, government measures include:

- a telephone hotline (115), to help the homeless find accommodation. The capacity of emergency accommodation is updated on a daily basis;
- mobile teams (“SAMU social”) which can pick up the most disadvantaged and take them to emergency accommodation or hospital accident and emergency units if necessary;
- day centres, offering various services to the homeless (postal address, showers, laundry facilities, catering in some cases);
- supplementary winter accommodation: additional reception and accommodation facilities are opened during the winter.

#### *Accommodation and integration*

Several measures are intended to help persons in extreme difficulty back into society:

- accommodation and social reintegration centres (CHRS), which offer emergency or longer-term accommodation. Integration measures include counselling, information, monitoring by social workers, help finding independent accommodation, training and employment;

- transition centres, which are small units aiming to help persons in very great difficulty re-establish links with society;
- residential centres, which offer accommodation for a limited time to isolated persons or families before they can move into independent accommodation;
- integration measures: residents of accommodation centres are provided with support in various aspects of integration (healthcare, housing, employment, training, well-being, culture, etc.).

***Reception and accommodation of asylum seekers***

Specialist accommodation and social reintegration centres exist to help asylum seekers while their applications for asylum are being processed. Other emergency centres have been set up to cope with the influx of large numbers of asylum seekers in recent years.

## Glossary

AAH	Allocation aux adultes handicapés	Adult disability allowance
AME	Aide médicale de l'État	State Medical Aid
ANCSEC	Agence nationale pour la cohésion sociale et l'égalité des chances	National Agency for Social Cohesion, Equal Opportunity and Voluntary Service
ANPE	Agence nationale pour l'emploi	National Employment Agency
APA	Allocation personnalisée d'autonomie	Personal Autonomy Allowance
API	Allocation de parenté isolée	Single parent allowance
ARPE	Allocation de remplacement pour l'emploi	A supplementary social benefit
ASS	Allocation de solidarité spécifique	Specific solidarity allowance
ASSEDIC	Association pour l'emploi dans l'industrie et le commerce	Association for Employment in Industry and Commerce:  Organization managing unemployment contributions and payments
CAF	Caisse d'allocations familiales	Social Security Office
CDD	Contrat à durée déterminée	Fixed-term employment contract
CDI	Contrat à durée indéterminée	Permanent employment contract
CERC	Conseil de l'emploi, des revenus et de la cohésion sociale	Council for Employment, Income and Social Cohesion
CEREQ	Centre d'études et de recherches sur les qualifications	Centre for Study and Research on Occupational Skills
CHRS	Centres d'hébergement et de réinsertion Sociale	Social Reinsertion Accommodation Centres
CMU	Couverture maladie universelle	Universal Health Coverage
CMUC	Couverture maladie universelle complémentaire	Complementary sickness cover – free complementary health insurance for low-income groups
CNE	Contrat nouvelle embauche	New Employment Contract

COE	Conseil d'orientation pour l'emploi	Employment Policy Council
EPL	Legislation pour la protection de l'emploi	Employment protection legislation
FNAL	Fonds national d'aide au logement	National Housing Aid Fund
HALDE	Haute autorité de lutte contre les discriminations et pour l'égalité	Equity and Anti-Discrimination Authority
INSEE	Institut national de la statistique et des études économiques	National Institute for Statistics and Economic Studies
LOLF	Loi organique relative aux lois de finances	Constitutional Bylaw on Budget Acts
ONPES	Observatoire national de la pauvreté et de l'exclusion sociale	National Observatory of Poverty and Social Exclusion
ONZUS	Observatoire national des zones urbaines	National Observatory of Sensitive Urban Zones
PARE	Plan d'aide au retour à l'emploi	Return to Employment Aid Plan
PPE	Prime pour l'emploi	Employment Allowance – earned-income tax credit
RMA	Revenu minimum d'activité	Minimum employment income
RMI	Revenue minimum d'insertion	Social/occupational integration minimum income – minimum benefit paid to those with no other source of income
SAMU	Service d'aide médicale urgente	Mobile accident unit Emergency medical service
SMIC	Salaire minimum interprofessionnel de croissance	Guaranteed minimum wage
TIPP	Taxe intérieure sur les produits pétroliers	Tax on Petroleum Products
ZEP	Zone d'éducation prioritaire	Education Priority Zone
ZUS	Zone urbaine sensible	Sensitive Urban Area

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